

The City of Edmonds, Washington
Comprehensive Annual Financial Report
(For the Year Ended December 31, 2009)



Gary Haakenson, Mayor

CITY OF EDMONDS PUBLIC OFFICIALS

ELECTED OFFICIALS

| | |
|----------|--|
| Mayor: | Gary Haakenson |
| Council: | D. J. Wilson, President |
| | Stephen Bernheim |
| | David Orvis |
| | Peggy Pritchard Olson, thru Nov. 9, 2009 |
| | Strom Peterson |
| | Michael Plunkett |
| | Ron Wambolt |

APPOINTED OFFICIALS

| | |
|---|-------------------------------------|
| Director, Finance and Information Svcs. | Lorenzo Hines Jr., October 26, 2009 |
| Finance Director | Kathleen Junglov, July 1, 2009 |
| Community Services Director: | Stephen Clifton |
| Development Services Director: | Duane Bowman, March 31, 2009 |
| Acting Economic Development Director:: | Stephen Clifton |
| Fire Chief: | Tom Tomberg |
| Human Services Director: | Debi Humann |
| Parks & Recreation Director: | Brian McIntosh |
| Municipal Court Judge: | Douglas Fair |
| Police Chief: | Al Compaan |
| Public Works Director: | Noel Miller |

The CAFR may be found online at www.ci.edmonds.wa.us.

CITY OF EDMONDS WASHINGTON

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended

December 31, 2009

Finance Department

PREPARED BY

DEPARTMENT OF FINANCE

Director of Finance and Information Services
Lorenzo Hines Jr., CPA, MBA

Accountant
Debra Sharp, CPA

Accounting Technician
Lori Cress

For comments or questions, contact
City of Edmonds, Finance Department
425.771.0240

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Operating:

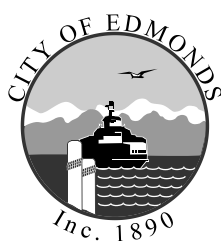
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City of Edmonds

121 FIFTH AVENUE N. • EDMONDS, WA 98020 • 425-771-0239
FINANCE AND INFORMATION SERVICES

Mike Cooper
Mayor

Lorenzo Hines Jr.
Director

August 2, 2010

Honorable Mayor Cooper
City of Edmonds
121 Fifth Avenue North
Edmonds, WA 98020

Reference: Transmittal of 2009 Financial Annual Report

Dear Mayor Cooper:

This correspondence will formally transmit the City of Edmonds' 2009 Comprehensive Annual Financial Report. The City has also complied with the submittal requirements of Washington State Law RCW 43.09.230 requiring annual reports for Washington municipal governments to be certified and filed with the State Auditor's Office within one hundred fifty days after the close of each fiscal year.

Responsibility for the accuracy of the data, the completeness and reliability of all information presented in this report rests with management. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). To the best of my knowledge and belief, this financial report is complete and reliable in all material respects.

Cities and counties of the State of Washington use the Budgeting, Accounting and Reporting System (BARS) developed and prescribed by the State Auditor's Office. The City's financial statements have been audited by the Washington State Auditor's office. The goal of an independent audit is to provide reasonable assurance that City financial statements for the fiscal year ended December 31, 2009 are free of material misstatements. The State Auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Edmonds' statements are fairly presented in conformity with GAAP. The State Auditor's report is presented at the first component of the financial section of this report.

As the recipient of federal, state, and county financial assistance the City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996, Budget Circular A-133, Audits of State and Local Governments, and the March 2006 Compliance Supplement. This audit is conducted by the State Auditor's Office in conjunction with the City's annual independent audit.

GAAP requires that the City provides a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Governmental Profile

The City of Edmonds, incorporated in 1890, is located within Snohomish County and is 12 miles north of Seattle. Edmonds is the twenty-second largest city in the State, currently occupies a land area of 9 square miles and serves a population of

40,900. A picturesque waterfront community, Edmonds offers an appealing small town quality of life, complimented by many amenities including, specialty shops, a variety of restaurants, an active arts community, and an array of outdoor activities.

The City of Edmonds is a non-charter code city operating under a strong mayor-council form of government. Policy making and legislative authority are vested with a seven member city council who are elected for staggered four year-terms and are elected at-large, rather than by district. The city council is responsible for establishing policy objectives and for providing the resources necessary to carry out those policies. As the City's chief administrator, the Mayor is responsible for carrying out Council policy directives and for the oversight of day-to-day operations of the City.

The City of Edmonds provides a full range of services, including police, fire, and emergency medical services; planning and zoning; water, sewer and stormwater services; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events.

This report includes all funds, agencies, and boards and commissions that are controlled by, or dependent on, the City's executive and legislative departments. Included as part of the reporting entity are the Edmonds Public Facilities District and the Snohomish County Emergency Radio System (SERS). Additional information on these entities can be found in the Notes to the Financial Statements.

The City prepares biennial budgets in accordance with the Revised Code of Washington (RCW) 35A.34. Biennial budgets must be adopted by the City Council prior to the first of each odd numbered calendar year. A mid-biennial review is conducted and any changes for the second half of the biennium are adopted by the City Council. Department heads may make transfers of appropriations within their department. The Mayor may make transfers of appropriations between departments within any one fund. Increases to appropriations at the Fund level require the City Council approval. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is viewed in the broader perspective of the environment within which the City operates. This section will review major factors that impact Edmonds' fiscal condition.

Edmonds has nearly 1,800 city-licensed businesses. Finance, insurance, real estate and other service industries comprise over half of all licensed businesses, followed by the retail industry. Major local employers include Stevens Hospital, the City of Edmonds, the Edmonds School District and also specialty private sector companies such as "Rick Steves' Europe through the Back Door".

Beginning in 2002 the rate of property tax to be collected was limited to 1%. Prior to this legislation, the City relied heavily on property tax revenue to fund general government services. A number of measures have since been implemented on both sides of the equation, increasing revenue and cutting expenditures. Buoyed by a good economy the City was able to sustain operations and fund limited capital improvements thru 2009.

However, during 2008 and 2009, it became apparent that predictions the Pacific Northwest's economy would be immune to the economic downturn affecting the rest of the nation were incorrect. The City experienced falling sales tax revenue. A spending freeze was implemented, vacant positions remained unfilled, and merit increases for non-represented employees were eliminated. The 2009-2010 biennial budget was adopted with additional cuts as well as new and increased revenue.

As an indicator of how the local economy is performing, the City monitors the Washington State Economic and Revenue Forecast Council publications. According to the March 2009 issue, "Previously, there was optimism that Washington would be one of the first states to pull out of the recession. That hope has disappeared and the current forecast assumes that like the rest of the country, Washington will be in recession for most of 2009, leveling out sometime late in the third quarter. Growth is expected to remain flat through the first half of 2010, improving in the second half of the year."

Presently the City Council is exploring options to restore the financial stability to the general fund; specifically, a property tax levy lid lift is being considered.

Major Initiatives

Increases in property values due to high quality development and redevelopment can provide Edmonds with future increases in the amount of property tax collected. Challenged by the fact that the City is substantially built out, and that there are very few parcels of vacant land available for (re)development, the City is in the process of forming a Citizen Economic Development Commission to help determine new strategies for economic development, identify new sources of revenue, and advise and make recommendations to the Mayor and City Council. Land use policies are also being examined to explore possible ways of encouraging redevelopment, where appropriate, that can add to the city's tax revenues.

Celebrated as an arts community, downtown Edmonds hosts Third Thursday Art Walks, where participants can meet local artists, tour galleries and purchase art. Adding to Edmonds' reputation for cultivating artistic expression, Edmonds Center for the Arts presents a wide variety of rousing performances year-round and is home to a local symphony, ballet, and chorus. Community events draw large crowds throughout the year and include: the Edmonds Arts Festival; Jazz Connection; The Waterfront Festival; Fourth of July celebration, highlighted by a children's parade, a Main Street parade, and an evening of fireworks; A Taste of Edmonds; Write on the Sound writers' conference; Hot Autumn Nites classic car show; and a family favorite tree lighting during the holidays. The Outdoor Market, which takes place each Saturday from May to October, supports local sustainable agriculture by connecting the public with local farmers, artisans, and other producers in an economically viable marketplace.

During 2009, the City entered into an agreement with Snohomish County Fire District 1 (FD1), for the provision of fire protection services. As a result, the City transferred all current fire personnel, sold fire trucks, autos, equipment, and apparatus to FD1 as well.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in financial Reporting to the City of Edmonds for its comprehensive annual financial report for the fiscal year ended December 31, 2008. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of all finance department staff. I would like to express my appreciation to Debra Sharp and Lori Cress. Staff would also like to express our gratitude to the Mayor and Council for their support.

Sincerely,

Lorenzo Hines Jr.

Lorenzo Hines Jr.
Finance Director

CITY OF EDMONDS PUBLIC OFFICIALS

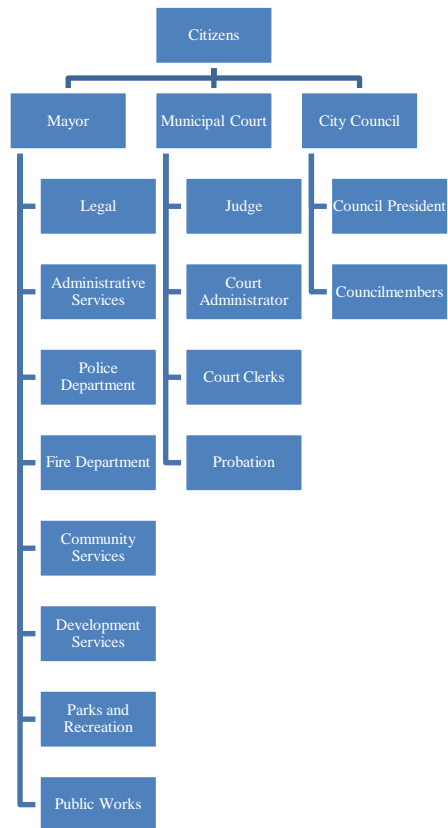
ELECTED OFFICIALS

Mayor: Gary Haakenson
Council: D. J. Wilson, President
Stephen Bernheim
David Orvis
Peggy Pritchard Olson, thru Nov. 9, 2009
Strom Peterson
Michael Plunkett
Ron Wambolt

APPOINTED OFFICIALS

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| Fire Chief: | Tom Tomberg |
| Human Services Director: | Debi Humann |
| Parks & Recreation Director: | Brian McIntosh |
| Municipal Court Judge: | Douglas Fair |
| Police Chief: | Al Compaan |
| Public Works Director: | Noel Miller |

City of Edmonds Organization Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Edmonds
Washington

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



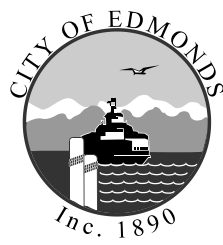
A stylized, handwritten signature in black ink.

President

A handwritten signature in black ink, reading "Jeffrey R. Enner".

Executive Director

FINANCIAL SECTION



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**Washington State Auditor
Brian Sonntag**

INDEPENDENT AUDITOR'S REPORT

July 23, 2010

Mayor and City Council
City of Edmonds
Edmonds, Washington

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Edmonds, Snohomish County, Washington, as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue our report dated July 16, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the City's Single Audit Report. The purpose of that report is to describe the scope of our testing of internal control over



financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 9 through 18, pension trust information on page 63, and information on postemployment benefits other than pensions on page 63 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information listed as Combining and Individual Fund Statements and Schedules on pages 65 through 106, Single Audit Section on pages 129 through 131, and Schedule of Long Term Debt on page 132 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory Section, Statistical Section, and Supplemental Schedules on pages 133-135 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Sincerely,



BRIAN SONNTAG, CGFM
STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Edmonds (City) presents this Management's Discussion and Analysis of its financial activities for the fiscal year ended December 31, 2009. This information focuses on significant financial issues, provides an overview of the City's financial activity, highlights significant changes in the City's financial position, and identifies material variances between the approved budget and actual spending. The City encourages readers to consider this information in conjunction with additional information provided in the letter of transmittal.

FINANCIAL HIGHLIGHTS

- At December 31, 2009 the City's net assets, the amount by which total assets exceeded total liabilities totaled \$136.5 million. Of this amount, \$103 million is invested in capital assets, such as land, buildings, infrastructure net of related debt; \$3.2 million is restricted for debt service and capital projects; and \$30.0 million (unrestricted net assets) may be used to meet the government's ongoing activities and obligations.
- The City's total net assets increased by \$3.1 million or 2% in 2009. Governmental activities increased by \$1.8 million and business-type activities increased by \$1.3 million.
- Governmental funds reported a combined ending fund balance of \$11.4 million: a \$2.2 million decrease over the prior year. Of this amount, \$11.4 million is unreserved and available to fund ongoing activities and \$56,570 is reserved for debt service.
- Unreserved fund balance in the General Fund was \$6.1 million, an increase of \$880,386 from the prior year. This includes \$1.9 million in the rainy day reserve fund established to provide for future economic downturns or other unforeseen expenditure needs for general City programs. The unreserved fund balance represents 19% of total 2009 General Fund expenditures.
- Total City debt decreased by a net of \$2.0 million during the current fiscal year. Outstanding bonded debt, loans, and long term contracts at year-end totaled \$31.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City's basic financial statements consist of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements. The report also contains other supplementary information. This section will introduce and explain the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed to provide readers a picture of the financial condition and activities of the City of Edmonds as a whole, with a broad overview and in a manner similar to private-sector business. The government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities), from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Governmental activities include general government (executive, finance, and human resources), judicial, public safety (police and fire), physical environment, economic environment, transportation, mental/physical health, and culture/recreation. Business-type activities consist of water, sewer, storm water, and wastewater treatment utility operations.

The City also includes as a discretely presented component unit the Edmonds Public Facilities District (EPFD), a performing arts center in Edmonds, and the EPFD's blended component unit, the Edmonds Center for the Arts (ECA), a non-profit established to collect donations and manage the operations for the EPFD. Although legally separate, the EPFD is important because the City provides financial support and oversight responsibilities connected to the activities of the board.

The **Statement of Net Assets** presents information on all of the City's assets and liabilities, with the difference between the

two reported as net assets. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. This statement is similar to the balance sheet of a private sector business. Over time, increases or decreases in net assets may serve as a useful indicator of improvement or deterioration in the City's overall financial position.

The **Statement of Activities** presents information designed to show how the City's net assets changed during the year. This statement distinguishes revenue generated by specific functions (program revenue) from revenue provided by taxes and other sources not related to a specific function. Program revenue (charges for services, grants, and contributions) is compared to expenses for those functions in order to show how much each function either supports itself or relies on taxes and other general funding sources for support. All activity on this statement is reported on the accrual basis of accounting, requiring that revenues are reported when they are earned and expenses are reported when they are incurred, regardless of when cash is received or disbursed. Items such as uncollected taxes, unpaid vendor invoices for goods or services received during the year, and earned but unused vacation leave are included in the statement of activities as revenues and expenses.

Fund Financial Statements

The fund financial statements will look familiar to the traditional users of governmental financial statements. However, the focus now is on major funds rather than fund types.

Individual funds are used to maintain control over resources that are segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories of City funds: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in the governmental funds. These statements, however, focus on cash and other assets that can readily be converted to available resources, as well as any balances remaining at year-end. Such information is useful in determining what financial resources are available in the near future to finance the City's programs.

Readers may better understand the long-term impact of the government's near-term financing decisions by comparing the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. The Governmental Funds' Balance Sheet and the Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate the comparison.

Information for the major governmental funds is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances; information for the non-major funds is presented in the aggregate.

Proprietary funds account for services for which the City charges outside customers and internal City departments. Proprietary funds provide the same information as shown in the government-wide financial statements, only in more detail, since both use the accrual basis of accounting. Proprietary funds report the same functions presented as business-type activities in the government-wide financial statements.

The City has two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to account for goods and services provided to citizens. Internal service funds are used to account for goods and services provided internally to various City departments.

The enterprise fund statements provide information for the City's water, sewer, storm water and wastewater treatment utilities. Enterprise funds of the City are consolidated into one fund for financial statement reporting purposes. The City uses an internal service fund to account for its fleet of vehicles. Because these services largely benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. Fiduciary funds are not included in the government-wide financial statements because their assets are not available to support City programs. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets as part of the basic financial statements.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the financial statements. They provide additional disclosures essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements in this report.

Required Supplementary Information

This report also contains other required supplementary information on pension plan funding.

Combining statements for non-major governmental funds are presented immediately following the required supplementary information on pensions.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, changes in net assets over time may serve as a useful indicator of a government's financial position. The City's net assets at December 31, 2009 totaled \$136.5 million, an increase of \$3.1 million over the prior year end. This increase is explained in more detail in the Statement of Changes in Net Assets starting on page 12. Following is a condensed version of the Government-Wide Statement of Net Assets.

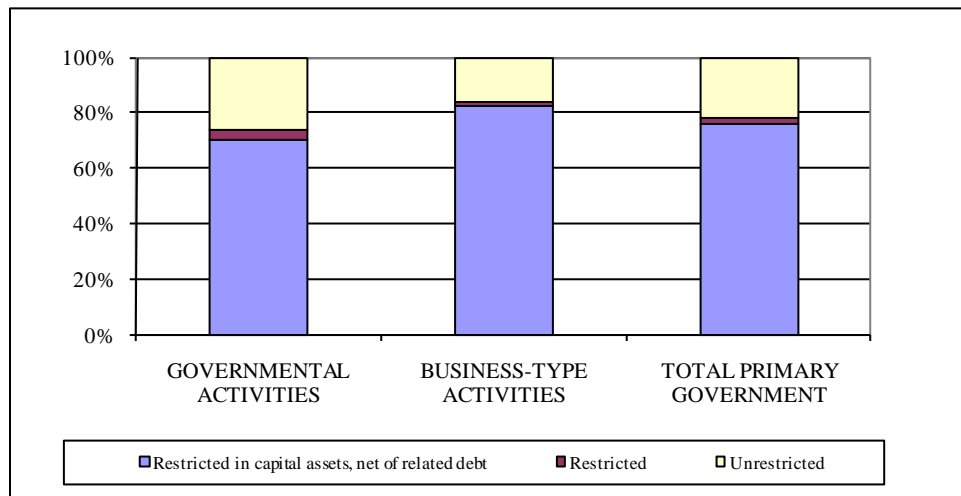
Figure 1: Condensed Statement of Net Assets

| | <u>GOVERNMENTAL ACTIVITIES</u> | | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTAL PRIMARY GOVERNMENT</u> | |
|---|------------------------------------|---------------------|-------------------------------------|---------------------|-------------------------------------|----------------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Current and other assets | 27,844,156 | \$25,241,701 | 13,387,243 | \$12,960,224 | 41,231,399 | \$38,201,925 |
| Capital assets (net of accumulated depreciation) | 73,925,586 | 75,751,424 | 58,911,891 | 61,227,239 | 132,837,477 | 136,978,663 |
| TOTAL ASSETS | 101,769,742 | 100,993,125 | 72,299,134 | 74,187,463 | 174,068,876 | 175,180,588 |
| Current and other liabilities | 6,822,434 | 6,438,185 | 2,359,149 | 2,725,229 | 9,181,583 | 9,163,414 |
| Long-term liabilities | 22,309,747 | 20,099,180 | 9,147,606 | 9,370,905 | 31,457,353 | 29,470,085 |
| TOTAL LIABILITIES | 29,132,181 | 26,537,365 | 11,506,755 | 12,096,134 | 40,638,936 | 38,633,499 |
| NET ASSETS | | | | | | |
| Restricted in capital assets, net of related debt | 57,252,149 | 51,991,258 | 49,753,793 | 51,208,429 | 107,005,942 | 103,199,687 |
| Restricted | 5,546,803 | 2,658,658 | 1,269,595 | 699,670 | 6,816,398 | 3,358,328 |
| Unrestricted | 9,838,608 | 19,805,844 | 9,768,990 | 10,183,230 | 19,607,598 | 29,989,074 |
| TOTAL NET ASSETS | \$72,637,560 | \$74,455,760 | \$60,792,378 | \$62,091,329 | \$133,429,938 | \$136,547,089 |

Approximately \$2.1 million of the primary government's total net assets are restricted for construction projects to renovate or improve the City's buildings, parks, street and utilities infrastructure. The remaining balance of net assets is primarily allocated to restrictions for debt service payments in the amount of \$1.0 million and unrestricted net assets of \$30.0 million. The business-type unrestricted assets of \$10.1 million may only be spent on utility activities. Other functions of the City may access the governmental unrestricted assets of \$19.8 million to meet ongoing obligations to citizens and creditors. There are no restrictions, commitments, or other limitations that significantly affect the availability of resources for future use.

Figure 2 below provides a graphical comparison of the three categories of net assets. As shown, the majority of the City's net assets are invested in capital assets which are used to provide services to citizens. Capital assets include streets, water/sewer lines and related infrastructure, land, buildings, equipment, etc., less any related outstanding debt used to acquire those assets. It should be noted that although the investment in capital assets is reported net of related debt, resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Figure 2: Composition of Net Assets



At the end of the fiscal year, the City of Edmonds reported positive balances in all three categories of net assets, for the government as a whole, as well as for the separate governmental and business-type activities.

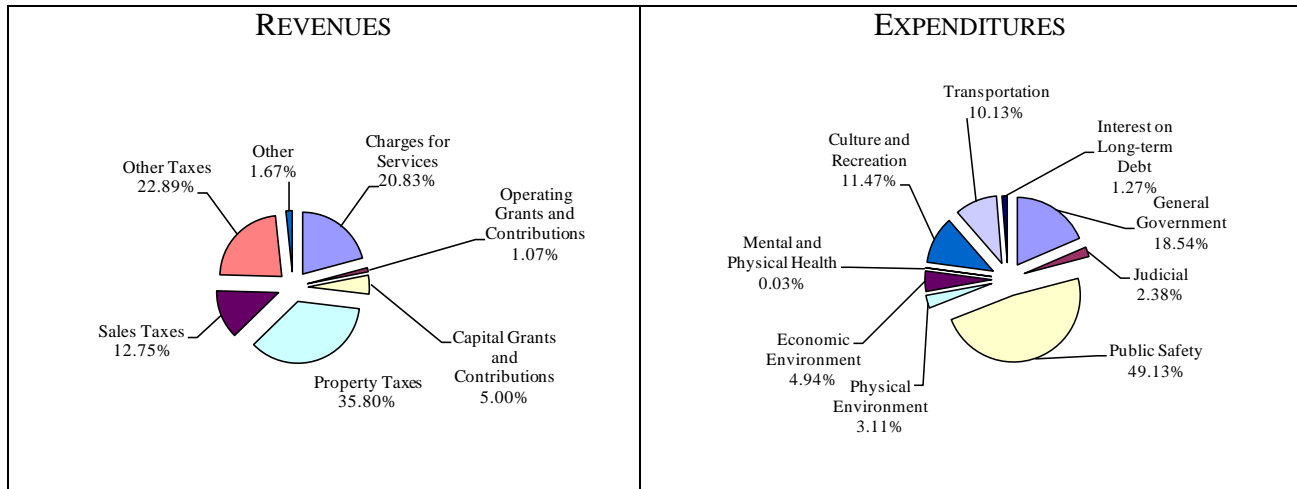
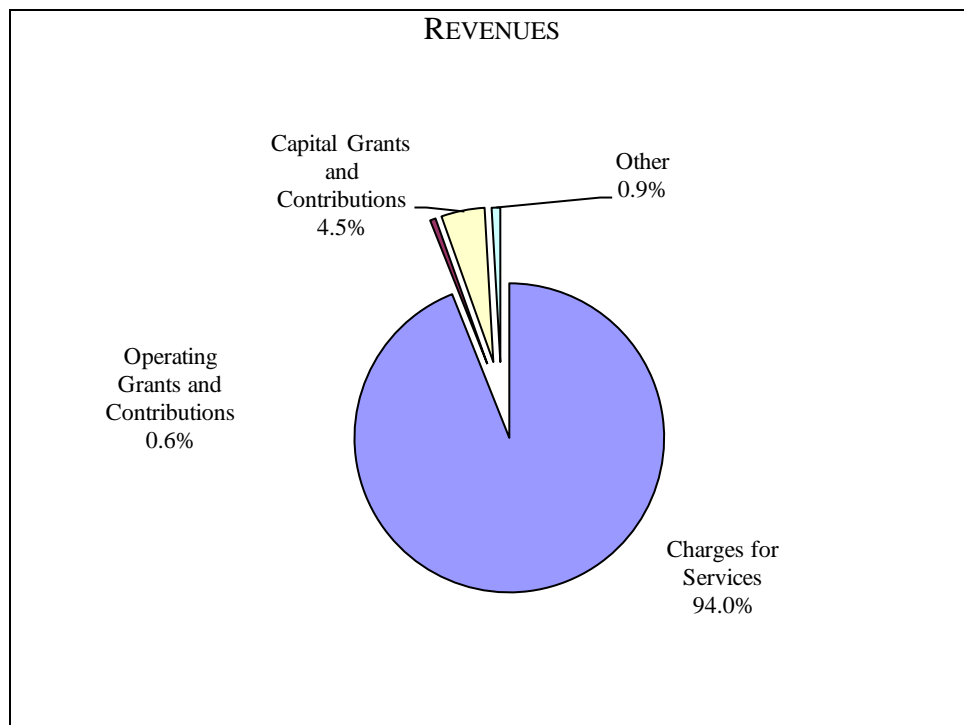
Statement of Change in Net Assets

The following table illustrates the increases or decreases in net assets of the City resulting from operations. The City's net assets increased approximately \$3.1 million. The increase in net assets was due to an increase in governmental activities by \$1.8 million and an increase in business-type activities in the amount of \$1.3 million, an indication that the City's overall financial position has improved.

The graphs that follow compare program revenues to program expenses and illustrate the revenues by source separately for the governmental and business-type activities. Following is a condensed version of the City's changes in net assets.

Figure 3: Changes in Net Assets Resulting from Changes in Revenues and Expenses

| | <u>GOVERNMENTAL ACTIVITIES</u> | | <u>BUSINESS-TYPE ACTIVITIES</u> | | <u>TOTAL PRIMARY GOVERNMENT</u> | |
|--------------------------------------|------------------------------------|--------------|-------------------------------------|--------------|-------------------------------------|---------------|
| | 2008 | 2009 | 2008 | 2009 | 2008 | 2009 |
| Revenues | | | | | | |
| Program Revenue: | | | | | | |
| Charges for Services | \$6,857,346 | \$8,091,277 | \$13,030,325 | \$14,275,275 | \$19,887,671 | \$22,366,552 |
| Operating Grants and Contributions | 163,438 | 416,086 | 47,654 | 88,983 | 211,092 | 505,069 |
| Capital Grants and Contributions | 1,138,795 | 1,940,900 | 610,910 | 688,796 | 1,749,705 | 2,629,696 |
| General Revenues: | | | | | | |
| Property Taxes | 12,256,542 | 13,908,042 | 0 | 0 | 12,256,542 | 13,908,042 |
| Sales Taxes | 5,448,281 | 4,952,898 | 0 | 0 | 5,448,281 | 4,952,898 |
| Other Taxes | 7,963,820 | 8,894,835 | 0 | 0 | 7,963,820 | 8,894,835 |
| Other | 1,017,046 | 647,222 | 280,710 | 136,779 | 1,297,756 | 784,001 |
| Total Revenue | 34,845,268 | 38,851,260 | 13,969,599 | 15,189,833 | 48,814,867 | 54,041,093 |
| Program Expenses | | | | | | |
| Governmental Activities | | | | | | |
| General Government | 7,695,483 | 6,867,604 | 0 | 0 | 7,695,483 | 6,867,604 |
| Judicial | 846,130 | 880,919 | 0 | 0 | 846,130 | 880,919 |
| Public Safety | 18,049,555 | 17,823,468 | 0 | 0 | 18,049,555 | 17,823,468 |
| Physical Environment | 1,870,405 | 1,150,200 | 0 | 0 | 1,870,405 | 1,150,200 |
| Economic Environment | 1,120,777 | 1,830,100 | 0 | 0 | 1,120,777 | 1,830,100 |
| Mental and Physical Health | 9,291 | 12,147 | 0 | 0 | 9,291 | 12,147 |
| Culture and Recreation | 3,976,440 | 4,246,268 | 0 | 0 | 3,976,440 | 4,246,268 |
| Transportation | 1,812,089 | 3,751,956 | 0 | 0 | 1,812,089 | 3,751,956 |
| Interest on Long-term Debt | 492,082 | 470,398 | 0 | 0 | 492,082 | 470,398 |
| Business-Type Activities | | | | | | |
| Combined Utility | 0 | 0 | 13,210,002 | 13,890,882 | 13,210,002 | 13,890,882 |
| Total Expenses | 35,872,252 | 37,033,060 | 13,210,002 | 13,890,882 | 49,082,254 | 50,923,942 |
| Excess (Deficiency) Before Transfers | (1,026,984) | 1,818,200 | 759,597 | 1,298,951 | (267,387) | 3,117,151 |
| Transfers | 404,562 | 0 | (404,562) | 0 | 0 | 0 |
| Increase in Net Assets | (622,422) | 1,818,200 | 355,035 | 1,298,951 | (267,387) | 3,117,151 |
| Net Assets - Beginning of Year | 73,259,982 | 72,637,560 | 60,437,343 | 60,792,378 | 133,697,325 | 133,429,938 |
| Net Assets - End of Year | \$72,637,560 | \$74,455,760 | \$60,792,378 | \$62,091,329 | \$133,429,938 | \$136,547,089 |

Figure 4: Governmental Activities**Figure 5: Business-Type Activities**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS**Governmental Activities Analysis**

Total revenues increased from 2008 levels by \$3.6 million due to favorable collections of property tax and increased utility tax revenues, charges for services, and capital grants and contributions. These increases were offset by decreases in sales and real estate excise tax revenues. Overall revenues exceeded expenditures which led to a \$1.8 million increase in Net Assets.

Per the Statement of Activities, the total cost of all governmental activities in 2009 was \$37.0 million. Of this amount, \$10.4 million was paid for by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. The net expense (total expenses less program revenues) or \$26.6 million was the cost of governmental services paid primarily by the City's taxpayers.

Business-Type Activities Analysis

The City's Utility Fund, the only business-type activity of the city, net assets increased by \$1.3 million. Utility operating revenues of \$14.3 million showed an increase of \$1.2 million over 2008 collections, however, operating costs including personnel services, supplies, professional services and insurance increased \$680,880.

At the end of the current fiscal year the City's Utility fund reported an ending fund balance of \$62.0 million. Of this amount \$51.2 million is invested in capital assets, net of related debt and approximately \$10.1 million constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for various purposes and is not available for new spending.

Governmental Funds

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term revenues/financial resources and expenditures. This information helps determine the City's financing requirements in the near future. In particular, unreserved fund balance measures the City's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$11.4 million. Approximately \$11,369,923 (99.5%) of that amount constitutes unreserved fund balance, which is available for discretionary spending. The remainder of the fund balance is reserved; it is committed for debt service and is not available for new spending.

In 2009, the governmental funds reported revenue of \$38.8 million and expenditures of \$41.0 million. Other financing sources/uses provided an additional \$8,247 comprised of transfers in and transfers out which netted to (\$46,623), right of way revenues in the amount of \$1,750, insurance recoveries totaling \$50,258, and proceeds from the disposition of capital assets amounting to \$2,862. Overall, the governmental funds fund balance decreased by \$2.3 million for the year.

The General Fund is the primary operating fund of the City through which all receipts and payments of City operations are processed, unless they are required to be accounted for in another fund. Taxes are the major revenue source. At the end of 2009, the fund balance of the General Fund was \$6.1 million, a 17% increase over 2008. This increase was primarily driven by savings produced from employee furloughs and holding vacant positions. As a measure of the fund's liquidity, the ending fund balance is 19% of the fund's 2009 expenditures. Further details regarding the activity in the General Fund is discussed below under the heading of General Fund Budgetary Highlights.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. As the City has only one enterprise fund, factors concerning the finances of the City's enterprise fund have been discussed in the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget is developed to study and review the City's financial direction. It outlines how financial resources will be managed during the upcoming fiscal year; the course can be changed through the allocation of resources. Major groups that participate in the budget process are the Mayor, City Council, Department directors, Managers, and interested Edmonds citizens.

During 2009 the budget was amended twice. The final general fund expenditure budget was 1% or \$337,715 lower than the original adopted budget. This was the net result of several individual amendment requests enacted during the year. The more significant amendments are listed below:

Significant amendments to increase expenditure authority:

- \$340,000 to reimburse fire hydrant costs incurred by the Utility Fund.
- \$155,000 increasing legal fees due to lengthy increase in legal services.

Significant amendments to reduce expenditure authority:

- \$225,281 savings related to employee furloughs
- \$224,891 savings from vacant expenditures
- \$280,534 reduction in transfers to the Equipment Rental Fund

Significant amendments to reduce revenue authority:

- \$1.2M reduction in sales tax revenues

Significant amendments to increase revenue authority:

- \$560,000 increase for taxes for water, sewer, and storm water services

A comparison of the actual performance of the general fund on a budgetary basis to the final budget indicates that the total revenues were less than budgeted total revenues by approximately \$442,341. With the exception of charges for services and licenses and permits, for the most part General Fund revenues met or exceeded budget estimates. The primary cause for the shortfall in charges for services revenue is due to lower than anticipated building planning fee receipts. Sales tax revenue under performance was due to the effect of the overall economic slowdown that the country experienced in 2009.

Expenditures were \$1.1 million below budget, which consisted of salary and benefit savings of \$781,280 primarily due to vacant positions and employee furloughs.

CAPITAL ASSET AND DEBT ADMINISTRATION**Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009 amounted to \$137.0 million (net of accumulated depreciation), an increase of \$4.1 million.

Additional information on the City's assets can be found in Note 7 to the financial statements.

Figure 6: Capital Assets at Year End, Net of Depreciation

| | Governmental Activities | Business-Type Activities | Total |
|-----------------------------------|------------------------------------|-------------------------------------|----------------------|
| Land | \$14,530,663 | \$1,126,723 | \$15,657,386 |
| Buildings | 14,500,091 | 23,535,823 | 38,035,914 |
| Improvements other than buildings | 3,182,135 | 27,496,758 | 30,678,892 |
| Infrastructure | 30,441,676 | 0 | 30,441,676 |
| Machinery and Equipment | 3,406,446 | 291,611 | 3,698,057 |
| Intangible Assets | 0 | 446,117 | 446,117 |
| Construction in Progress | 9,690,411 | 8,330,207 | 18,020,618 |
| | <u>\$75,751,422</u> | <u>\$61,227,239</u> | <u>\$136,978,660</u> |

Long Term Debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$26 million and other long term debt of \$5.6 million. The total debt excluding compensated absences and deferred amounts is distributed as follows:

Figure 7: Long Term Debt

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|---------------------|
| General Obligation Debt | \$18,719,223 | \$3,988,916 | \$22,708,139 |
| Special Assessment Debt with Government Commitment | 0 | 0 | 0 |
| Revenue Bonds | 0 | 3,255,000 | 3,255,000 |
| Capital Contracts | 1,546,238 | 0 | 1,546,238 |
| Public Work Trust Fund Loans | 1,112,498 | 2,944,046 | 4,056,544 |
| Total Long-term Debt | <u>\$21,377,959</u> | <u>\$10,187,962</u> | <u>\$31,565,921</u> |

The City maintains high ratings from Moody's for its General Obligation Bonds (Aa3 for voter approved and A1 for councilmanic).

Washington State statutes limit the amount of debt a governmental entity may issue to 7.5% of its total assessed valuation, subject to a 60% majority vote of qualified electors. Of the 7.5% limit, 2.5% is for general purposes, 2.5% for open space/park facilities, and 2.5% for utilities. Of the 2.5 percent allowed for general purposes, Non-voted (councilmanic) general purpose indebtedness is limited to 1.5% of assessed valuation.

The City's assessed valuation for determining debt capacity available is \$7.7 billion (See Schedule 10). Remaining debt capacity is as follows:

Figure 8: Debt Capacity Available

| <u>Item</u> | <u>Capacity</u> |
|-----------------------------|-----------------------------|
| General | \$145,349,748 |
| Parks Facilities/Open Space | 173,887,068 |
| Utilities | <u>173,887,068</u> |
| Total Capacity | <u><u>\$493,123,884</u></u> |

Additional information on the City's long-term debt can be found in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's 2009-2010 biennial budget is essentially a status quo budget in that it includes no new programs. However, due to the economic downturn which continues to have a negative impact on the City's sales tax revenue, several positions were eliminated, and staff was directed to hold the line on spending. Economic factors considered were as follows:

- The local economy would show some signs of improvement in late 2009. This expectation has since been revised and the turnaround is not expected until late 2010.
- The 2009 cost of living increases projected during the development of the 2009-2010 budget came in substantially lower by the end of 2009; originally at 5.8% (CPI-U) and 6.2% (CPI-W), now at 2.7% (CPI-U) and 3.4% (CPI-W). As a result the 2010 increase, currently budgeted at 4.5%, will be reduced to 3.5%.
- Increasing Water, Sewer, and Stormwater utility taxes from 6% to 10%.
- Increasing Cable TV Utility Tax from 1% to 6%.
- Increasing both Business License Fees and Development Services Fees.
- Created a Transportation Benefit District which will be effective 7/1/2009.
- Implemented EMS transport user fees.

Additional discussion about the City's overall economic outlook can be found in the City's Letter of Transmittal.

Requests for Information

The City's financial statements are designed to provide users with a general overview of the City's finances as well as to demonstrate the City's accountability to its citizens, investors, creditors, and other customers. If you have a question about the report, please contact the Finance Director, 121 Fifth Avenue North, Edmonds, Washington, WA 98020, (425) 771-0240.

**STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|---------------|---|
| | GOVERNMENTAL ACTIVITIES | BUSINESS-TYPE ACTIVITIES | TOTAL | EDMONDS PUBLIC FACILITIES DISTRICT |
| ASSETS | | | | |
| Cash and cash equivalents | \$15,509,915 | \$9,474,279 | \$24,984,194 | \$19,270 |
| Deposits with trustees | 13,431 | 0 | 13,431 | 0 |
| Taxes receivable | 370,148 | 0 | 370,148 | 0 |
| Accounts receivable | 1,018,477 | 1,893,035 | 2,911,512 | 118,735 |
| Special assessments | 33,766 | 0 | 33,766 | 0 |
| Due from component unit | 177,619 | 0 | 177,619 | 0 |
| Due from other governments | 1,693,114 | 659,390 | 2,352,504 | 138,403 |
| Other current assets | 56,362 | 104,196 | 160,558 | 30,519 |
| Deferred charges | 42,831 | 146,275 | 189,106 | 80,097 |
| Restricted: | | | | |
| Cash and cash equivalents | 0 | 683,049 | 683,049 | 64,107 |
| Special assessments | 267,726 | 0 | 267,726 | 0 |
| Due from component unit - long-term | 5,390,000 | 0 | 5,390,000 | 0 |
| Investment in joint venture | 668,312 | 0 | 668,312 | 0 |
| Land | 14,530,663 | 1,126,723 | 15,657,386 | 3,444,885 |
| Capital assets (net) (See Note 7) | 51,530,350 | 51,770,308 | 103,300,658 | 12,250,032 |
| Construction in progress | 9,690,411 | 8,330,208 | 18,020,619 | 0 |
| TOTAL ASSETS | \$100,993,125 | \$74,187,463 | \$175,180,588 | \$16,146,048 |
| LIABILITIES | | | | |
| Accrued wages | \$1,012,283 | \$149,050 | \$1,161,333 | \$20,109 |
| Accounts payable | 523,604 | 703,367 | 1,226,971 | 102,259 |
| Internal Balances | (141,905) | 141,905 | 0 | 0 |
| Due to other governmental units | 545 | 381,714 | 382,259 | 0 |
| Accrued bond interest payable | 69,832 | 25,993 | 95,825 | 0 |
| Other current liabilities | 70,817 | 173,180 | 243,997 | 27,561 |
| Deferred revenues | 0 | 23,088 | 23,088 | 76,268 |
| Non-current liabilities (See Note 10): | | | | |
| Net pension obligation | 176,990 | 0 | 176,990 | 0 |
| Net other post employment obligation | 319,076 | 0 | 319,076 | 0 |
| Due within one year | 4,406,943 | 1,126,932 | 5,533,875 | 235,000 |
| Due in more than one year | 20,099,180 | 9,370,905 | 29,470,085 | 9,254,088 |
| TOTAL LIABILITIES | \$26,537,365 | \$12,096,134 | \$38,633,499 | \$9,715,285 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | \$51,991,258 | \$51,208,429 | \$103,199,687 | \$6,214,917 |
| Restricted for: | | | | |
| Capital projects | 2,112,909 | 11,223 | 2,124,132 | 542,858 |
| Debt service | 358,178 | 683,049 | 1,041,227 | 163,015 |
| Future pledges and sponsorship | 0 | 0 | 0 | 209,325 |
| Tourism | 187,571 | 0 | 187,571 | 0 |
| Customer deposits | 0 | 5,398 | 5,398 | 0 |
| Unrestricted | 19,805,844 | 10,183,230 | 29,989,074 | (699,354) |
| TOTAL NET ASSETS | \$74,455,760 | \$62,091,329 | \$136,547,089 | \$6,430,761 |

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
Page 1 of 2

| | | PROGRAM REVENUES | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government services | \$6,867,604 | \$2,990,744 | \$0 | \$78,929 |
| Judicial | 880,919 | 650,257 | 2,649 | 0 |
| Public safety | 17,823,468 | 2,219,124 | 83,708 | 0 |
| Physical environment | 1,150,200 | 328,253 | 14,114 | 0 |
| Economic environment | 1,830,100 | 613,418 | 172,619 | 0 |
| Mental and physical health | 12,147 | 127,242 | 3,855 | 0 |
| Culture and recreation | 4,246,268 | 995,042 | 131,168 | 30,885 |
| Transportation | 3,751,956 | 167,197 | 7,973 | 1,831,086 |
| Interest on long-term debt | 470,398 | 0 | 0 | 0 |
| Total governmental activities | 37,033,060 | 8,091,277 | 416,086 | 1,940,900 |
| Business-type activities: | | | | |
| Combined utility operation | 13,890,882 | 14,275,275 | 88,983 | 688,796 |
| Total business-type activities | 13,890,882 | 14,275,275 | 88,983 | 688,796 |
| Total primary government | \$50,923,942 | \$22,366,552 | \$505,069 | \$2,629,696 |
| Component unit: | | | | |
| Edmonds Public Facilities District | \$2,307,937 | \$729,146 | \$252,565 | \$158,400 |
| General Revenues: | | | | |
| Property taxes | | | | |
| Sales taxes | | | | |
| Utility taxes | | | | |
| Fuel taxes | | | | |
| Real estate excise taxes | | | | |
| Hotel/motel taxes | | | | |
| Other taxes | | | | |
| Payments from Component Unit | | | | |
| Interest and investment earnings | | | | |
| Miscellaneous | | | | |
| Gain on sale of capital assets | | | | |
| Transfers | | | | |
| Total general revenues, special items, and transfers | | | | |
| Change in net assets | | | | |
| Net assets - beginning | | | | |
| Net assets - ending | | | | |

The accompanying notes are an integral part of this statement.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 2 of 2

| NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | | |
|---|--------------------------|-----------------------|------------------------------------|
| Primary Government | | | Component Unit |
| Governmental Activities | Business-Type Activities | Total | Edmonds Public Facilities District |
| (\$3,797,931) | \$0 | (\$3,797,931) | \$0 |
| (228,013) | 0 | (228,013) | 0 |
| (15,520,636) | 0 | (15,520,636) | 0 |
| (807,833) | 0 | (807,833) | 0 |
| (1,044,063) | 0 | (1,044,063) | 0 |
| 118,950 | 0 | 118,950 | 0 |
| (3,089,173) | 0 | (3,089,173) | 0 |
| (1,745,700) | 0 | (1,745,700) | 0 |
| (470,398) | 0 | (470,398) | 0 |
| (26,584,797) | 0 | (26,584,797) | 0 |
| 0 | 1,162,172 | 1,162,172 | 0 |
| 0 | 1,162,172 | 1,162,172 | 0 |
| (\$26,584,797) | \$1,162,172 | (\$25,422,625) | \$0 |
| | | | (\$1,167,826) |
| 13,908,042 | 0 | 13,908,042 | 0 |
| 4,952,898 | 0 | 4,952,898 | 618,538 |
| 6,081,071 | 0 | 6,081,071 | 0 |
| 886,724 | 0 | 886,724 | 0 |
| 1,515,433 | 0 | 1,515,433 | 0 |
| 70,698 | 0 | 70,698 | 0 |
| 340,909 | 0 | 340,909 | 0 |
| 370,536 | 0 | 370,536 | 0 |
| 151,198 | 136,348 | 287,546 | 2,667 |
| (42,050) | 0 | (42,050) | (1,000) |
| 167,538 | 431 | 167,969 | 0 |
| 0 | 0 | 0 | 0 |
| 28,402,997 | 136,779 | 28,539,776 | 620,205 |
| 1,818,200 | 1,298,951 | 3,117,151 | (547,621) |
| 72,637,560 | 60,792,378 | 133,429,938 | 6,978,383 |
| \$74,455,760 | \$62,091,329 | \$136,547,089 | \$6,430,762 |

The accompanying notes are an integral part of this statement.

**BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$5,384,502 | \$5,310,676 | \$10,695,178 |
| Deposits with trustee | 13,430 | 0 | 13,430 |
| Receivables, net | | | |
| Taxes | 370,148 | 0 | 370,148 |
| Customer accounts | 419,759 | 0 | 419,759 |
| Assessments | 0 | 33,766 | 33,766 |
| Due from other funds | 141,905 | 0 | 141,905 |
| Interfund loans receivable | 124,300 | 0 | 124,300 |
| Due from other governmental units | 6,814,780 | 445,954 | 7,260,734 |
| Inventory | 639 | 0 | 639 |
| Total Current Assets | 13,269,463 | 5,790,396 | 19,059,859 |
| RESTRICTED ASSETS | | | |
| Special assessments - deferred | 0 | 267,726 | 267,726 |
| Total Restricted Assets | 0 | 267,726 | 267,726 |
| TOTAL ASSETS | \$13,269,463 | \$6,058,122 | \$19,327,585 |
| LIABILITIES AND FUND BALANCES | | | |
| CURRENT LIABILITIES | | | |
| Wages payable | \$975,034 | \$26,446 | \$1,001,480 |
| Accounts payable | 274,901 | 214,822 | 489,723 |
| Interfund loans payable | 0 | 124,300 | 124,300 |
| Due to other governmental units | 545 | 0 | 545 |
| Custodial accounts | 24,031 | (537) | 23,494 |
| Other current liabilities | 12,735 | 34,588 | 47,323 |
| Total Current Liabilities | 1,287,246 | 399,619 | 1,686,865 |
| NONCURRENT LIABILITIES | | | |
| Deferred revenues | 5,913,311 | 301,608 | 6,214,919 |
| Total Noncurrent Liabilities | 5,913,311 | 301,608 | 6,214,919 |
| TOTAL LIABILITIES | 7,200,557 | 701,227 | 7,901,784 |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Debt service | 0 | 56,570 | 56,570 |
| Unreserved, reported in: | | | |
| General fund | 6,068,906 | 0 | 6,068,906 |
| Special revenue funds | 0 | 5,300,325 | 5,300,325 |
| TOTAL FUND BALANCES | 6,068,906 | 5,356,895 | 11,425,801 |
| TOTAL LIABILITIES AND FUND BALANCES | \$13,269,463 | \$6,058,122 | \$19,327,585 |

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

| | | |
|--|--------------|--------------|
| Total governmental fund balances | | \$11,425,801 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not current period financial resources and therefore are not reported in the funds. | | 73,544,887 |
| These assets consist of: | | |
| Land | 14,530,663 | |
| Construction in progress | 9,690,411 | |
| Investment in joint venture | 668,312 | |
| Buildings | 25,479,908 | |
| Improvements other than buildings | 8,816,896 | |
| Infrastructure | 54,326,213 | |
| Machinery and equipment - general government | 1,955,093 | |
| Less: Accumulated depreciation | (41,922,608) | |
| Other long term assets used in governmental activities are not current period financial resources and therefore are not reported in the funds. | | 640,357 |
| Court receivable | 597,526 | |
| Deferred charges | 42,831 | |
| Long term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the funds. | | (18,794,913) |
| These long-term liabilities consist of: | | |
| General obligation bonds | (18,719,223) | |
| Special assessment debt with government commitment | 0 | |
| Compensated absences | (3,065,975) | |
| Capital contracts | (1,546,238) | |
| Public works trust fund loan | (1,112,498) | |
| Accrued interest | (69,832) | |
| Net pension obligation | (176,990) | |
| Net OPEB Obligation | (319,076) | |
| Deferred revenue | 6,214,919 | |
| Internal service fund is used by management to charge the costs of equipment rental to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. | | 7,639,628 |
| Net assets of governmental activities | | \$74,455,760 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | GENERAL FUND | OTHER GOVERNMENTAL FUNDS | TOTAL GOVERNMENTAL FUNDS |
|--|--------------------|--------------------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$25,140,965 | \$1,144,156 | \$26,285,121 |
| Licenses and permits | 1,480,633 | 28,375 | 1,509,008 |
| Intergovernmental revenues | 2,247,501 | 2,922,187 | 5,169,688 |
| Charges for services | 3,677,458 | 257,283 | 3,934,741 |
| Fines and forfeits | 674,634 | 0 | 674,634 |
| Other revenues | 425,291 | 772,762 | 1,198,053 |
| Total revenues | 33,646,482 | 5,124,763 | 38,771,245 |
| EXPENDITURES | | | |
| Current: | | | |
| General government services | 6,567,263 | 616,830 | 7,184,093 |
| Security of persons and property | 18,460,033 | 63,035 | 18,523,068 |
| Physical environment | 1,029,293 | 128,877 | 1,158,170 |
| Transportation | 22,787 | 1,777,748 | 1,800,535 |
| Economic environment | 1,064,685 | 16,696 | 1,081,381 |
| Mental and physical health | 12,147 | 0 | 12,147 |
| Culture and recreation | 3,036,037 | 426,151 | 3,462,188 |
| Capital outlay | 24,976 | 4,991,643 | 5,016,619 |
| Debt service: | | | |
| Principal | 1,015,934 | 797,679 | 1,813,613 |
| Interest | 400,220 | 502,745 | 902,965 |
| Other debt service costs | 0 | 0 | 0 |
| Total Expenditures | 31,633,375 | 9,321,404 | 40,954,779 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,013,107 | (4,196,641) | (2,183,534) |
| OTHER FINANCING SOURCES (USES) | | | |
| Disposition of capital assets | 2,862 | 52,008 | 54,870 |
| Transfers in | 103,737 | 1,391,786 | 1,495,523 |
| Transfers out | (1,239,320) | (302,826) | (1,542,146) |
| Total other financing sources (uses) | (1,132,721) | 1,140,968 | 8,247 |
| Net change in fund balances | 880,386 | (3,055,673) | (2,175,287) |
| Fund balances - beginning | 5,188,520 | 8,412,568 | 13,601,088 |
| FUND BALANCES - ENDING | \$6,068,906 | \$5,356,895 | \$11,425,801 |

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | | |
|--|-------------|---------------|
| Net change in fund balances - total governmental funds | | (\$2,175,287) |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful life as depreciation expense. This is the amount by which capital outlays plus adjustments exceeded depreciation in the current period. | | 1,624,017 |
| This is comprised of: | | |
| Capital outlays | 5,261,237 | |
| Current year depreciation | (3,637,220) | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (62,173) |
| This is comprised of: | | |
| Deferred tax | 102,679 | |
| Other deferred revenue | (190,605) | |
| Record of court receivable | 25,754 | |
| Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, yet the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds. | | 1,808,309 |
| This is comprised of: | | |
| Amortization for deferred charges | (5,305) | |
| Long-term debt repayments | 1,813,614 | |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | 442,054 |
| This is comprised of: | | |
| Accrued interest expense | 4,691 | |
| Net pension obligation | (2,335) | |
| Net OPEB Obligation | (110,563) | |
| Accrued compensating absence expense | 550,261 | |
| Internal service funds are used by management to charge the cost of equipment rental to individual funds. The net revenue (expense) of this internal service fund is reported with governmental activities. | | 181,279 |
| Change in net assets of governmental activities | | \$1,818,200 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|--------------------|--------------------|--|
| REVENUES | | | | |
| Taxes | \$25,366,338 | \$25,186,338 | \$25,140,965 | (\$45,373) |
| Licenses and Permits | 2,096,942 | 1,636,942 | 1,480,633 | (156,309) |
| Intergovernmental Revenues | 2,080,406 | 2,202,305 | 2,247,501 | 45,196 |
| Charges for Services | 4,100,163 | 3,981,496 | 3,677,458 | (304,038) |
| Fines and Forfeits | 592,500 | 592,500 | 674,634 | 82,134 |
| Other Revenues | 479,232 | 489,242 | 425,291 | (63,951) |
| Total Revenues | 34,715,581 | 34,088,823 | 33,646,482 | (442,341) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government Services | 7,138,690 | 7,177,121 | 6,567,263 | 609,858 |
| Security of Persons and Property | 18,899,120 | 18,718,625 | 18,460,033 | 258,592 |
| Physical Environment | 1,125,774 | 1,090,443 | 1,029,293 | 61,150 |
| Transportation | 0 | 0 | 22,787 | (22,787) |
| Economic Environment | 1,184,982 | 1,114,762 | 1,064,685 | 50,077 |
| Mental and Physical Health | 10,100 | 10,100 | 12,147 | (2,047) |
| Culture and Recreation | 3,310,134 | 3,139,033 | 3,036,037 | 102,996 |
| Capital Outlay | 40,000 | 40,000 | 24,976 | 15,024 |
| Debt Service: | | | | |
| Principal Retirement | 1,015,934 | 1,015,934 | 1,015,934 | 0 |
| Interest | 399,883 | 399,883 | 400,220 | (337) |
| Total Expenditures | 33,124,617 | 32,705,901 | 31,633,375 | 1,072,526 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,590,964 | 1,382,922 | 2,013,107 | 630,185 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of Capital Assets | 0 | 0 | 2,862 | 2,862 |
| Transfers In | 100,461 | 158,941 | 103,737 | (55,204) |
| Transfers Out | (1,396,111) | (1,477,111) | (1,239,320) | 237,791 |
| Total other financing sources (uses) | (1,295,650) | (1,318,170) | (1,132,721) | 185,449 |
| Net change in fund balances | 295,314 | 64,752 | 880,386 | 815,634 |
| Fund Balances - beginning | 2,905,551 | 2,915,551 | 5,188,520 | 2,272,969 |
| FUND BALANCES - ENDING | \$3,200,865 | \$2,980,303 | \$6,068,906 | \$3,088,603 |

The accompanying notes are an integral part of this statement.

STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
DECEMBER 31, 2009

| | BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS | GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS |
|--|--|---|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$9,474,279 | \$4,814,737 |
| Receivables, net | | |
| Customer accounts | 1,893,035 | 1,192 |
| Due from other governments | 659,390 | 0 |
| Inventory | 104,196 | 55,723 |
| Total Current Assets | <u>12,130,900</u> | <u>4,871,652</u> |
| NONCURRENT ASSETS | | |
| Restricted cash and cash equivalents | 683,049 | 0 |
| Intangible assets | 446,117 | 0 |
| Unamortized debt issue costs | 146,275 | 0 |
| Construction in progress | 8,330,208 | 0 |
| Capital assets, net of depreciation (Note 7) | 52,450,914 | 2,874,846 |
| Total Noncurrent Assets | <u>62,056,563</u> | <u>2,874,846</u> |
| TOTAL ASSETS | <u>\$74,187,463</u> | <u>\$7,746,498</u> |
| LIABILITIES AND FUND EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$703,367 | \$33,882 |
| Wages and benefits payable | 149,050 | 10,803 |
| Compensated absences | 348,477 | 52,035 |
| Interest payable | 25,993 | 0 |
| Due to other funds | 141,905 | 0 |
| Due to other governments | 381,714 | 0 |
| Custodial accounts | 5,398 | 0 |
| Deferred revenues | 23,088 | 0 |
| Current portion of long-term debt | | |
| (net of unamortized premiums/discounts) | 778,455 | 0 |
| Other current liabilities | 167,782 | 0 |
| Total Current Liabilities | <u>2,725,229</u> | <u>96,720</u> |
| NONCURRENT LIABILITIES | | |
| General obligation bonds payable | 3,753,563 | 0 |
| Revenue bonds payable | | |
| (net of unamortized premiums/discounts) | 2,749,241 | 0 |
| Loans payable | 2,748,773 | 0 |
| Compensated absences | 119,328 | 10,150 |
| Total Noncurrent Liabilities | <u>9,370,905</u> | <u>10,150</u> |
| TOTAL LIABILITIES | <u>\$12,096,134</u> | <u>\$106,870</u> |
| NET ASSETS | | |
| Invested in capital assets, | | |
| net of related debt | 51,208,429 | 2,874,846 |
| Restricted for debt service | 683,049 | 0 |
| Restricted for capital projects | 11,223 | 0 |
| Restricted for customer deposits | 5,398 | 0 |
| Unrestricted | 10,183,230 | 4,764,782 |
| TOTAL NET ASSETS | <u>\$62,091,329</u> | <u>\$7,639,628</u> |

The accompanying notes are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | BUSINESS TYPE ACTIVITIES - COMBINED UTILITY FUNDS | GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS |
|--|---|--|
| OPERATING REVENUES: | | |
| Charges for services | \$11,999,752 | \$1,284,741 |
| Rental revenues | 50,063 | 0 |
| Other operating revenues | 2,225,460 | 0 |
| Total Operating Revenues | 14,275,275 | 1,284,741 |
| OPERATING EXPENSES: | | |
| Personnel services | 3,670,044 | 293,122 |
| Supplies | 6,584,186 | 430,001 |
| Professional services | 438,829 | 1,273 |
| Insurance | 345,888 | 33,537 |
| Depreciation and amortization | 2,488,300 | 520,753 |
| Total Operating Expenses | 13,527,247 | 1,278,686 |
| Operating Income (Loss) | 748,028 | 6,055 |
| NON-OPERATING REVENUES (EXPENSES): | | |
| Intergovernmental revenues | 296,959 | 0 |
| Interest and investment revenue | 136,348 | 62,559 |
| Judgements and settlements | 0 | 40,641 |
| Gain (loss) on sale/retirement of assets | 431 | 72,024 |
| Interest expense | (363,635) | 0 |
| Other non-operating expenses | 0 | 0 |
| Total Non-Operating Revenues (Expenses) | 70,103 | 175,224 |
| Income (Loss) Before Contributions and Transfers | 818,131 | 181,279 |
| Capital contributions | 480,820 | 0 |
| NET INCOME (LOSS) | 1,298,951 | 181,279 |
| NET EQUITY - BEGINNING | 60,792,378 | 7,458,349 |
| NET EQUITY - ENDING | \$62,091,329 | \$7,639,628 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 1 of 2

| | BUSINESS-TYPE ACTIVITIES - COMBINED UTILITY FUNDS | GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers and users | \$14,233,472 | \$1,284,740 |
| Payments to suppliers | (7,158,328) | (512,541) |
| Payments to employees | (3,605,668) | (281,352) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 3,469,476 | 490,847 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Receipts from non-capital grants | 49,897 | 0 |
| NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES | 49,897 | 0 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Proceeds from capital debt | 1,004,451 | 0 |
| Principal paid on capital debt | (738,606) | 0 |
| Interest paid on capital debt | (329,683) | 0 |
| Receipts from capital grants | 299,472 | 0 |
| Proceeds from sale of capital assets | 0 | 89,020 |
| Capital contributions | 468,323 | 0 |
| Acquisition and construction of capital assets | (4,202,169) | (583,504) |
| Insurance Proceeds | 0 | 40,641 |
| NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES | (3,498,212) | (453,843) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of investments | 2,278,799 | 1,074,545 |
| Investment income | 136,348 | 62,559 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 2,415,147 | 1,137,104 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,436,308 | 1,174,108 |
| Cash and Cash Equivalents, January 1 | 7,721,020 | 3,640,629 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$10,157,328 | \$4,814,737 |
| Current Cash and Cash Equivalents | \$9,474,279 | \$4,814,737 |
| Restricted Cash and Cash Equivalents | 683,049 | 0 |
| CASH AND CASH EQUIVALENTS, DECEMBER 31 | \$10,157,328 | \$4,814,737 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Page 2 of 2

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET

CASH PROVIDED (USED) BY OPERATING ACTIVITIES:

| | | |
|--|--------------------|------------------|
| Operating income (loss) | \$748,028 | \$6,055 |
| Adjustments to Reconcile Operating Income to Net | | |
| Cash Provided (Used) by Operating Activities: | | |
| Depreciation and amortization | 2,488,300 | 520,753 |
| Change in Assets and Liabilities: | | |
| (Increase) decrease in inventories | (25,446) | (30,905) |
| (Increase) decrease in receivables | (211,721) | 0 |
| (Increase) decrease in due from other governments | 169,919 | 0 |
| Increase (decrease) in accounts and other payables | 110,369 | (16,827) |
| Increase (decrease) in due to other governments | (61,511) | 0 |
| Increase (decrease) in due to funds | 41,716 | 0 |
| Increase (decrease) in compensated absences | 64,375 | 11,771 |
| Increase (decrease) in other current liabilities | 145,447 | 0 |
| TOTAL ADJUSTMENTS | 2,721,448 | 484,792 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | \$3,469,476 | \$490,847 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2009**

| | FIREMEN'S PENSION FUND |
|--|---------------------------------------|
| ASSETS AND OTHER DEBITS | |
| Cash and cash equivalents | \$291,497 |
| TOTAL ASSETS AND OTHER DEBITS | 291,497 |
| LIABILITIES | |
| Benefits payable | 5,000 |
| Accounts payable | 1,545 |
| TOTAL LIABILITIES | 6,545 |
| NET ASSETS | |
| Held in trust for pension benefits and other purposes | \$284,951 |

The accompanying notes are an integral part of this statement.

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | FIREMEN'S PENSION FUND |
|--|---------------------------------------|
| ADDITIONS: | |
| Contributions | |
| Employer | \$46,624 |
| Fire insurance premiums | 42,172 |
| Investment income | |
| Interest | 3,754 |
| TOTAL ADDITIONS | 92,549 |
| DEDUCTIONS: | |
| Benefits | 104,523 |
| TOTAL DEDUCTIONS | 104,523 |
| CHANGE IN NET ASSETS | (11,974) |
| NET ASSETS RESERVED FOR EMPLOYEES' PENSION BENEFITS | |
| Employees' pension benefits, January 1 | 296,925 |
| NET ASSETS - ENDING | \$284,951 |

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City of Edmonds, which conform to generally accepted accounting principles for governments as prescribed by the Governmental Accounting Standards Board (GASB), are regulated by the Washington State Auditor's Office. The City's significant accounting policies are described below.

REPORTING ENTITY

The City of Edmonds was incorporated in 1890 and operates under a Council/Mayor form of government. The City Council is composed of seven members elected at large who each serve a four-year term. The Mayor is elected at large and serves a four-year term. The Mayor is responsible for all City affairs. The City provides a full range of general government services: including public safety, streets, parks and recreation, planning and zoning, permits and inspection, general administration, and water, sewer, storm water and wastewater treatment utilities.

The accompanying financial statements include all funds, agencies, and boards controlled by or dependent on the City. Criteria used to determine agency dependence on the City were: selection of the governing body, budget adoption, taxing authority, outstanding debt service secured by City revenues or general obligations, City obligation to finance possible deficits, or receipt of significant City subsidies.

Discretely Presented Component Unit

The Edmonds City Council formed the Edmonds Public Facilities District (PFD) on April 24, 2001 by Ordinance. The PFD was created under the authority provided by the legislature during the 1999 State legislative session, since codified as RCW 35.57. The purpose of the PFD is to construct and operate a "regional center" in the City of Edmonds. RCW 35.57 defines a regional center as a conference, convention or special events center along with related parking.

A five member board governs the PFD and is appointed to four-year terms by the City Council. The PFD has authority under state law to issue debt, levy certain taxes, and enter into contracts. In 2002 the City Issued Limited Tax General Obligation Bonds for the acquisition, renovation and remodeling of a Performing Arts Center by the PFD in the amount of \$7,015,000. These proceeds were transferred to the PFD. The bonds are a debt of the City and not the PFD; however the PFD is obligated by inter-local agreement to transfer sales tax rebate revenues to the City to help offset the City's debt service costs over the life of the bonds. More information about the PFD, including complete financial statements, can be obtained from Edmonds Performing Arts Center, c/o Joe McIalwain, 401 Fourth Ave. N. Edmonds, WA 98020.

Joint Ventures

A joint venture is an organization that results from a contractual arrangement and is owned, operated, or governed by two or more participants as a separate activity. In addition to joint control, each participant must have either an ongoing financial interest or an ongoing financial responsibility.

The City participates in a single joint venture with Snohomish County and other local governments in the Snohomish County Emergency Radio System. See Note 5 for additional information.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. The City has allocated certain indirect costs that are included in the program expense reported for individual functions and activities. Taxes and other items not properly included among program revenues are reported as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The fiduciary funds are not included in the government-wide financial statements. Major individual funds are reported as separate columns, while the remaining funds are combined for presentation purposes in the governmental funds statements and the proprietary funds statements.

BASIS OF ACCOUNTING, MEASUREMENT FOCUS AND PRESENTATION OF FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary funds. Under this approach, revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all the eligibility requirements imposed by the providers have been met.

Governmental funds are used to account for activities typically associated with state and local government operations. All governmental funds are accounted for on a spending or "financial flows" measurement focus, which means that typically only current assets and current liabilities are included on the related balance sheet. The operating statements for governmental funds measure changes in financial position, rather than net income; they present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Governmental funds use the modified accrual basis of accounting. On the modified accrual basis, revenues are recorded when susceptible to accrual (i.e. when they are determined to be both measurable and available.) To be considered available, revenues must be collected during the current period or soon enough thereafter to pay current liabilities. For the City of Edmonds, this period is considered to be the first sixty days after the end of the fiscal period. Property taxes, sales taxes, utility taxes, franchise fees, and interest are associated with the current fiscal period and have been recognized as revenues of the current period. Under this method, expenditures are recognized at the time the fund incurs the related liability, with the exception of principal and interest on long-term debt and vacation and sick pay which are recorded when paid.

Major Governmental Funds:

The **General Fund** is the general operating fund of the City and accounts for all activities not required to be accounted for in some other fund.

Proprietary Fund:

The **Combined Utility Operation Fund** accounts for the provision of water, sewer, storm water and wastewater treatment services to the residents of the City and some residents of Mountlake Terrace, Lynnwood, Woodway, Olympic View Water District and Ronald Wastewater District. All activities necessary to provide such services are accounted for in this fund, including but not limited to, administration, financing, and related debt service, billing, and collection.

Internal Service and Fiduciary Funds:

The **Equipment Rental Fund** is an internal service fund used to account for the Fleet Maintenance Division. The Fleet Maintenance Division is responsible for maintaining the City's vehicle fleet.

Fiduciary funds are used to account for City assets held in a trustee capacity or as an agent for individuals, private organizations, and other governments. These funds share characteristics with both the government and proprietary funds and therefore, as described below, use the measurement focus and basis of accounting most appropriate to their specific operations. They consist of the Payroll Clearing Fund – accounts for all payroll claims, Claims Clearing Fund – accounts for all other claims, and the All Funds Investment Fund – accounts for investments of monies to a variety of other funds, governmental units, or private parties.

The **Firemen's Pension Fund** accounts for a single employer defined benefit system established under state law to provide benefits to eligible firefighters. Although this pension plan has subsequently been replaced by the State Law Enforcement Officers and Firefighters pension system, firefighters hired prior to March 1, 1970 continue to be eligible for benefits under its provisions. Revenues received by the fund include proceeds of a state-imposed tax on fire insurance premiums and as needed, allocations from the City's annual property tax levy based on actuarial estimates.

The proprietary fund statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and delivering goods in connection with principal ongoing operations. The principal operating revenues of the City's utility fund are charges to customers for sales and service. The City also recognizes as operating revenue the portion of utility connection fees intended to recover the cost of connecting new customers to the water and sewer systems. Operating expenses for enterprise funds include operating and maintenance costs, employee benefit expenses, contracted services, insurance and depreciation on capital assets. All other revenues and expenses are reported as non-operating revenues and expenses.

Pursuant to Statement No. 20 of the Governmental Accounting Standards Board (GASB), the City reports in accordance with all applicable GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board (APB), and Opinions and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 (unless they conflict with or contradict GASB pronouncements).

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted as they are needed.

BUDGETS AND BUDGETARY ACCOUNTING

Scope of Budget

Budgets are adopted at the fund level and this constitutes the legal level of control where expenditures may not exceed appropriations. Purely as a management tool, budgets are broken out to departments, activities and expense types. Transfers or revisions within funds are allowed, but only the City Council can increase or decrease a fund's budget, which is done by City ordinance.

The City adopts the budget for governmental funds on the modified accrual basis and all unexpended appropriations lapse at year-end. Budgetary accounts are integrated in fund ledgers for all budgeted funds, but financial statements include budget-to-actual comparisons for governmental funds only. Proprietary and Trust Fund budgets are "management budgets" and are not legally required to be reported.

Procedures for Adopting the Original Budget

The budget process steps are: 1) prior to November 1st in even numbered years, the Mayor submits a proposed biennial budget to the City Council. It is based on Council-established priorities and estimates provided by City departments during the preceding months, and balanced with revenue estimates made by the Mayor; 2) the City Council conducts public hearings on the proposed budget in November and December; 3) the Council makes its adjustments to the proposed budget and adopts by ordinance a final balanced biennial budget no later than December 31; 4) the final biennial budget as adopted is published and distributed by the end of the year. A mid-biennial review is required no sooner than eight months after the start no later than the conclusion of the first year of the fiscal biennium. Limited copies of the budget book can be obtained from City of Edmonds, c/o City of Edmonds Finance Department, 121 5th Ave. N. Edmonds, WA 98020, or by visiting our web site at www.ci.edmonds.wa.us.

ASSETS, LIABILITIES, AND NET ASSET OR EQUITY**Cash and Equity in Pooled Investments**

The City of Edmonds invests all short-term cash surpluses. The City considers all highly-liquid assets, including investment in the Washington State's Local Government Investment Pool, and short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

Investments are presented in the financial statements at fair value based on quoted market prices. The City's position in the Local Government Investment Pool is the same as the value of the pool shares. Pool investments are reported as Cash and Cash Equivalents. Interest earned on the pooled investments is allocated to individual funds at the end of each month on the basis of their average daily cash balance during the preceding month. Investments are also held separately by several funds with interest earned directly for each fund's benefit. The City holds most investments to maturity. For reporting, all funds' interest earnings are recognized in the accounting period in which they become available and measurable. Additional deposit and investment information is presented in Note 3.

Inventories

Inventories are generally valued using the weighted-average cost method and consist of expendable materials and supplies. Governmental fund types use the consumption method, where cost is recognized as an expenditure when the inventory is consumed. Inventories in the proprietary funds use two separate methods. The Utility fund inventories are expensed as consumed. The Internal Service fund inventories are expensed when purchased with the inventories adjusted at year-end.

Receivables

Property taxes - The County Treasurer collects annual property taxes levied in the county for all taxing authorities. Taxes are levied on January 1 for property value listed as of May 31.

The County Assessor establishes assessed values at 100 percent of fair market value. Beginning with the 2004 assessment for taxes payable in 2005, all property is appraised annually and updated to reflect the current market value. This will result in smaller increases in assessed value than property owners experienced in the past with the 4-year revaluation cycle. It also allows property values to be adjusted downward if there is a change in the market, instead of the value being "fixed" for a 4-year period.

Due to voter approval of Initiative 747 in November 2001, levy increases are limited to the lesser of the implicit price deflator for personal consumption expenditures for the 12-month period ending in July of each year, or 1%. Any increase above this limit requires voter approval. Property taxes levied by the County Assessor and collected by the County Treasurer become a lien on the first day of the levy year and may be paid in two equal payments if the total exceeds \$10. The first half is due on April 30 and the balance is due October 31. Delinquent taxes bear interest at 12 percent and are subject to additional penalties if not paid as scheduled.

At year end, property taxes are recorded as a receivable, with the portion not expected to be collected within 60 days offset by a deferred revenue. During the year, property tax revenues are recognized when cash is received.

In 2009, the City levied the following property taxes on an assessed value of \$7,709,209,490. The special levies identified in the table were approved by the voters and are not subject of the limitation listed above.

| PURPOSE OF LEVY | LEVY RATE PER \$1,000 | TOTAL LEVY AMOUNT |
|--|----------------------------------|------------------------------|
| General Government | 1.200 | \$9,250,299 |
| Emergency Medical Services | 0.500 | 3,854,605 |
| Debt Service on Voter-approved General Obligation Bonds | 0.116 | 839,084 |
| TOTAL CITY LEVY | 1.816 | \$13,943,988 |

Customer Accounts - Customer accounts receivable consist of amounts owed by private individuals and organizations for goods delivered or services rendered in the regular course of business operations. Notes and contracts receivable arise from a written agreement or contract with private individuals or organizations. Receivables are shown net of allowances for uncollectible accounts.

Interfund - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either interfund loans receivable/payable or advances to/from other funds. All other outstanding balances between funds are reported as due to/due from other funds. Advances to other funds in governmental funds are equally offset by a fund balance reserve account, which indicates that they do not constitute available spendable resources since they are not a component of net current assets.

Deferred Revenues and Deferred Charges

Deferred revenues include amounts collected before revenue recognition criteria are met because under the modified accrual basis of accounting, they are measurable but not yet available. The deferred items consist primarily of delinquent property taxes, contracts and agreements, special assessments, and amounts due from component unit.

In the proprietary funds the premium or discount and issuance costs of long-term debt are amortized over the life of the debt. For current refunding and advance refunding of revenue bonds, the difference between the reacquisition price and net carrying amount is amortized over the shorter of the remaining life of the old debt or the life of the new bond issues.

Restricted Assets

In accordance with the utility bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes including the establishment of bond reserve funds, financing the ongoing capital improvement programs of the various utilities, and other purposes. At December 31, 2009 the City had \$683,049 cash in the Enterprise fund restricted for debt service.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases are made; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of net assets while not reported in the fund balance sheets.

The City classifies assets with an estimated useful life in excess of one year as capital assets. Capital assets include land, buildings, improvements, machinery, equipment, and infrastructure. Land is capitalized at cost with no minimum threshold. Buildings, improvements, and machinery and equipment are capitalized when cost meets or exceeds \$5,000. Public domain (infrastructure) assets consist of certain improvements other than buildings, including utility systems, streets, bridges, traffic controls, and overlays are capitalized when cost equals or exceeds \$50,000.

Costs of normal maintenance and repair for general assets are not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.

Equipment items acquired through capital lease agreements and land purchased through conditional sales contracts are reported as general capital assets in the government-wide statement of net assets. In the governmental fund financial statements, lease and contract payments are reported as expenditures.

All project costs are included in construction in progress in the government-wide statement of net assets. At completion, capital costs are reclassified to property plant and equipment. In the governmental fund financial statements, projects are reported as expenditures.

Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair values as of the date acquired. The estimated value of donated assets is recorded as contributed capital by the fund which receives them.

Land and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight line method, using varying estimated service lives for individual assets and asset

classifications depending on particular characteristics of an asset and factors surrounding its anticipated use. Depreciation is reported as part of the related program expense column on government-wide statement of activities and as a fund expense in the proprietary funds, while not reported in the fund statements of governmental funds. Capital assets are reported net of accumulated depreciation on the government-wide statement of net assets and in the proprietary funds statement of net assets, while not reported in the governmental fund balance sheets. Refer to note 7 for additional information regarding capital assets.

The average service lives used to calculate depreciation for specific categories of assets are summarized below:

| <u>Asset Type</u> | <u>Est. Service Life (Yrs)</u> |
|-----------------------------------|--------------------------------|
| Buildings | 30-50 |
| Improvements other than Buildings | 25-60 |
| Infrastructure | 20-100 |
| Machinery and Equipment | 02-20 |
| Intangible Assets | 20-30 |

Accumulated Compensated Absences

Compensated absences including payroll taxes are reported as a current liability in the balance sheet. Actual balances are accrued for all types of compensated absences except sick leave, the liability for which is generally estimated using the termination method provided by GASB Statement No. 16.

Vacation Pay – Employees earn vacation based upon their years of service and may accumulate earned vacation up to a maximum of two years accrual. Unused vacation at retirement or termination is considered vested and payable to the employee.

Sick Pay – Employees may accumulate up to 1000 hours of sick leave. Up to 800 hours of unused sick leave at retirement or termination is paid based on a percentage of accumulated sick leave. Payment is based on current wage at termination.

Other Compensated Absences – Other compensated absences include compensatory time in lieu of overtime pay; holiday earned by fire and police employees; and other compensation earned by City employees under law or union contracts. Unused compensated absences are payable at retirement or termination.

Reservations and Designations

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are either not appropriable for expenditures or are legally restricted for a specific future use. The amounts not appropriable for expenditures are reported as fund balance reserved for noncurrent assets, inventories, petty cash, and prepaid items. The amounts legally segregated for specific future uses are reported as fund balance reserved for capital improvements and grants, debt service including judgments and claims, employee benefits, endowments and gifts, employee retirement systems, continuing appropriations, and encumbrances.

In cases where a governmental fund does not have enough available unreserved fund balance, the fund balance reserved for that fund is limited to the extent of the amount available.

NOTE 2 — STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of contract provisions. At December 31, 2009:

- Fund 126 – Real Estate Excise Tax 1, Parks and Acquisition Fund exceeded budget by \$35,939, however there was adequate fund balance to address the overage
- Fund 129- Special Projects Fund exceeded budget by \$110,255, this amount was supported by the receipt of \$108,093 in additional fund revenue
- Fund 211 - LID Fund Control exceeded budget by \$10,486, the overage was necessary to pay off outstanding debt
- Fund 631 – Transportation Benefit District exceed budget by \$168,498, this amount was supported by the receipt of \$168,498 in additional fund revenue

These instances will be addressed in subsequent amendments to the biennial budget.

All funds amended expenditure budgets totaled \$77,062,705, which includes \$2,302,109 of supplemental appropriations. Funds with supplemental appropriations during 2009 and the amounts are shown below:

| FUND NO. | FUND DESCRIPTION | 2009 Original Budget | | 2009 Amended Budget |
|----------|-------------------------------|----------------------|-----------|---------------------|
| 001 | GENERAL FUND | 34,520,728 | (337,715) | 34,183,013 |
| 111 | STREET FUND | 1,491,530 | (69,335) | 1,422,195 |
| 112 | COMBINED STREET CONST/IMPROVE | 1,443,407 | 1,030,000 | 2,473,407 |
| 122 | YOUTH SCHOLARSHIP FUND | 3,400 | 1,600 | 5,000 |
| 125 | PARK ACQ/IMPROVEMENT | 4,558,175 | (14,000) | 4,544,175 |
| 127 | GIFTS CATALOG FUND | 21,000 | 27,542 | 48,542 |
| 130 | CEMETERY MAINTENANCE/IMPROV | 145,074 | (3,971) | 141,103 |
| 411 | COMBINED UTILITY OPERATION | 13,162,872 | 1,876,342 | 15,039,214 |
| 511 | EQUIPMENT RENTAL FUND | 2,079,027 | (266,894) | 1,812,133 |
| 136 | PARKS TRUST FUND | 0 | 58,480 | 58,480 |
| | Totals | 57,425,213 | 2,302,049 | 59,727,262 |

NOTE 3 — DEPOSITS AND INVESTMENTS

As of December 31, 2009, the City held the following investments:

| Investment Type | Fair Value | Weighted Average Maturity (Years) |
|----------------------------------|--------------|-----------------------------------|
| Local Government Investment Pool | \$18,558,040 | - |
| Total Fair Value | \$18,558,040 | |

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity of its investments to less than four years.

Credit risk. City policy complies with state law which requires all investments of the City's funds be obligations of the U.S. Government, U.S. agency issues, Obligations of the State of Washington, repurchase agreements, prime banker's acceptances, the Washington State Local Government Investment Pool, and time certificates of deposit with authorized Washington State banks. The City held no debt securities as of December 31, 2009.

The Washington State Local Government Investment Pool (LGIP), created by the Washington State Legislature in 1986, is managed and operated solely by the Office of the State Treasurer. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from the active pool participants. Eight members are appointed by the participant associations, and four are appointed by the State Treasurer.

The LGIP is considered extremely low risk. The pool is unrated by financial rating agencies. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The City's position in the pool is the same as the value of the shares.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. All City deposits are insured by Federal Depository Insurance (FDIC) up to \$250,000. All deposits not covered by FDIC insurance are covered by the Washington Public Deposit Protection Commission (WPDPC) of the State of Washington.

The WPDPC is a statutory authority established under RCW chapter 39.58. It constitutes a multiple financial institution collateral arrangement that provides for additional assessments against members of the pool on a pro rata basis up to a maximum of 10 percent of each institution's public deposits. Provisions of RCW chapter 39.58, section 60 authorize the WPDPC to make pro-rata assessments in proportion to the maximum liability of each such depository as it existed on the date of loss.

Custodial credit risk – Investments. For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All City securities are held for safekeeping by the Bank of New York, as the City's agent, in the City's name.

Concentration of credit risk. Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City limits its exposure to concentration risk by requiring diversification of its investments by type and institution as follows:

| Security Type | Portfolio Maximum with One Financial Institution | Portfolio Maximum |
|----------------------------------|---|------------------------------|
| Bankers Acceptances | 10% | 20% |
| Certificates of Deposit | 35% | 90% |
| U. S. Treasuries | 100% | 90% |
| U. S. Agencies | 100% | 90% |
| State of Washington Bonds | 30% | 20% |
| Local Government Bonds | 30% | 10% |
| Local Government Investment Pool | 100% | 100% |

A reconciliation of cash, cash equivalents (including pooled investments) and investments as shown in the government-wide and fund financial statements is as follows:

| Notes | |
|----------------------------------|---------------------|
| Deposits | 7,400,699 |
| Local Government Investment Pool | 18,558,040 |
| | <u>\$25,958,739</u> |

Financial Statements

| | Governmental Activities | Business-type Activities | Total Primary Govt. | Fiduciary Funds | Total |
|--------------------------------------|------------------------------------|-------------------------------------|--------------------------------|----------------------------|---------------------|
| Cash and Cash Equivalents | \$15,509,915 | \$9,474,279 | \$24,984,194 | \$291,497 | \$25,275,690 |
| Restricted Cash and Cash Equivalents | 0 | 683,049 | 683,049 | 0 | 683,049 |
| | <u>\$15,509,915</u> | <u>\$10,157,328</u> | <u>\$25,667,243</u> | <u>\$291,497</u> | <u>\$25,958,739</u> |

NOTE 4 – RECEIVABLES AND PAYABLES

Receivables at December 31, 2009, are as follows:

| | Taxes | Customer Accounts | Due From Other Governments | Total |
|---------------------------------------|------------------|----------------------|-------------------------------|--------------------|
| Governmental Activities | | | | |
| General Fund | \$370,148 | \$419,759 | \$6,814,780 | \$7,604,686 |
| Other Governmental Funds | 0 | 0 | 445,953 | 445,953 |
| Internal Service | 0 | 1,192 | 0 | 1,192 |
| Total Governmental Activities | \$370,148 | \$420,951 | \$7,260,733 | \$8,051,832 |
| Business-type Activities | | | | |
| Combined Utility Fund | \$0 | \$1,893,035 | \$659,390 | \$2,552,425 |
| Total Business-type Activities | \$0 | \$1,893,035 | \$659,390 | \$2,552,425 |

The amount of accounts receivable on the Statement of Net Assets for Governmental Activities includes the customer accounts listed above, as well as, a court receivable in the amount of \$597,526.

Payables at December 31, 2009, are as follows:

| | Accounts Payable and Other Current Liabilities | Due to Other Governments | Customer Accounts | Total |
|---------------------------------------|---|-----------------------------|----------------------|--------------------|
| Governmental Activities | | | | |
| General Fund | \$276,040 | \$545 | \$35,627 | \$312,211 |
| Other Governmental Funds | 245,011 | 0 | 3,861 | 248,872 |
| Internal Service | 33,882 | 0 | 0 | 33,882 |
| Total Governmental Activities | \$554,933 | \$545 | \$39,488 | \$594,965 |
| Business-type Activities | | | | |
| Combined Utility Fund | \$871,149 | \$381,714 | \$5,398 | \$1,258,261 |
| Total Business-type Activities | \$871,149 | \$381,714 | \$5,398 | \$1,258,261 |

NOTE 5 — JOINT VENTURES

The City entered into a joint venture with Snohomish County and other local governments in the establishment and operations of the Snohomish County Emergency Radio System. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental joint venture. As such the City's share of ownership is included in capital assets.

The Snohomish County Emergency Radio System is considered a separate reporting entity. The City's and each participants share of authority is defined by the terms of the enabling charter. Control as represented by the City Council or Board of County Commissioners is divided between the County and participating Cities. Separate financial statements for the Snohomish County Emergency Radio System can be obtained from Snohomish County.

The Snohomish County Emergency Radio System was created by agreement under the Interlocal Cooperation Act (RCW 39.34) between The City of Edmonds, Snohomish County and various other cities and political districts. The purpose of the venture is to equip and operate a radio system primarily for the use of public safety agencies. The City of Edmonds has an 8% interest in the equity and operations of the venture. The City's share of the assets and fund equity as of 12/31/2009 was

\$668,312. The venture appears to be accumulating significant resources, and is not experiencing any fiscal stress that would cause an additional financial burden on the participating governments.

NOTE 6 — INTERFUND BALANCES AND TRANSFERS

There were two interfund balances as of December 31, 2009. The first one was the transfer of utility tax revenues from the Utility Fund to the General Fund for services rendered. The other interfund balance was for an interfund loan between the General Fund and a special revenue fund, Street Construction and Improvement. The Street Construction and Improvement Fund made grant eligible payments and is waiting for grant reimbursement.

Interfund transfers are the flow of assets without a reciprocal return of assets, goods or services. The City uses transfers to 1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. There were no significant transfers in 2009. The difference between the following table and the Revenues, Expenditures, and Changes in Fund Balance is due to the transfer between the General Fund and the Firemen's Pension Fund, which is not included in the table below. Interfund activity for the year is as follows:

| | Transfers In | Transfers Out | | | Total |
|--------------------|--------------|---------------|--------------------|------------------|-------------|
| | | General | Other Governmental | Internal Service | |
| General Fund | \$103,737 | \$0 | \$1,192,696 | \$0 | \$1,192,696 |
| Other Governmental | 1,391,786 | 103,737 | 199,090 | 0 | \$302,827 |
| Internal Service | 0 | 0 | 0 | 0 | \$0 |
| Enterprise | 0 | 0 | 0 | 0 | \$0 |
| Total | \$1,495,523 | \$103,737 | \$1,391,786 | \$0 | \$1,495,523 |

NOTE 7 — CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-------------------|-------------|-----------|----------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$14,240,161 | \$290,502 | \$0 | \$14,530,663 |
| Construction in Progress | 4,607,216 | 5,083,195 | | 9,690,411 |
| Total capital assets, not being depreciated: | 18,847,377 | 5,373,697 | 0 | 24,221,074 |
| Capital assets, being depreciated: | | | | |
| Building | 25,479,908 | 0 | 0 | 25,479,908 |
| Improvements other than buildings | 8,836,807 | 0 | (19,911) | 8,816,896 |
| Infrastructure | 54,326,213 | 0 | 0 | 54,326,213 |
| Machinery and Equipment | 9,731,537 | 640,330 | (407,953) | 9,963,914 |
| Total capital assets being depreciated: | 98,374,465 | 640,330 | (427,864) | 98,586,931 |
| Less accumulated depreciation for: | | | | |
| Buildings | (10,099,578) | (880,239) | 0 | (10,979,817) |
| Improvements other than buildings | (5,369,354) | (272,097) | 6,690 | (5,634,761) |
| Infrastructure | (21,516,505) | (2,368,032) | | (23,884,537) |
| Machinery and Equipment | (6,310,820) | (637,604) | 390,957 | (6,557,468) |
| Total accumulated depreciation: | (43,296,257) | (4,157,973) | 397,647 | (47,056,583) |
| Total capital assets, being depreciated, net: | 55,078,208 | (3,517,643) | (30,217) | 51,530,348 |

| | | | | |
|---|----------------------|-------------|------------|-------------------|
| Governmental activities capital assets, net: | \$73,925,585 | \$1,856,054 | (\$30,217) | \$75,751,422 |
| Business-type Activities | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Capital assets, not being depreciated: | | | | |
| Land | \$1,126,723 | \$0 | \$0 | \$1,126,723 |
| Construction in Progress | 3,663,703 | 4,666,504 | | 8,330,207 |
| Total capital assets, not being depreciated: | 4,790,426 | 4,666,504 | 0 | 9,456,930 |
| Capital assets, being depreciated: | | | | |
| Building | 36,724,796 | 0 | 0 | 36,724,796 |
| Improvements other than buildings | 45,546,502 | 137,142 | 0 | 45,683,643 |
| Machinery and Equipment | 860,940 | 0 | 0 | 860,940 |
| Intangible Assets | 1,250,000 | 0 | 0 | 1,250,000 |
| Total capital assets being depreciated: | 84,382,238 | 137,142 | 0 | 84,519,379 |
| Less accumulated depreciation for: | | | | |
| Buildings | (12,478,034) | (710,938) | 0 | (13,188,973) |
| Improvements other than buildings | (16,499,728) | (1,687,158) | 0 | (18,186,886) |
| Machinery and Equipment | (529,157) | (40,172) | 0 | (569,329) |
| Intangible Assets | (753,851) | (50,032) | 0 | (803,883) |
| Total accumulated depreciation: | (30,260,771) | (2,488,300) | 0 | (32,749,071) |
| Total capital assets, being depreciated, net: | 54,121,466 | (2,351,158) | 0 | 51,770,309 |
| Business activities capital assets, net: | \$58,911,892 | \$2,315,347 | \$0 | \$61,227,239 |

Depreciation Expense by Function**GOVERNMENTAL ACTIVITIES**

| | |
|--|--------------------|
| General government | \$404,481 |
| Public safety | 451,855 |
| Culture and recreation | 393,600 |
| Transportation | 2,380,619 |
| Physical Environment | 6,665 |
| Internal service | 520,753 |
| Total depreciation expense - Governmental Activities | <u>\$4,157,973</u> |

BUSINESS-TYPE ACTIVITIES

| | |
|---|--------------------|
| Stormwater | \$332,160 |
| Water | 508,070 |
| Sewer | 302,205 |
| Wastewater Treatment | 1,345,865 |
| Total depreciation expense - Business Type Activities | <u>\$2,488,300</u> |

NOTE 8 – PENSION PLAN

Substantially all city full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380. The following disclosures are made pursuant to GASB Statement 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, and Amendment of GASB Statements No. 25 and No 27*.

Public Employees' Retirement System (PERS) Plans 1, 2 and 3Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees not participating in national higher education retirement programs; judges of district and municipal courts; and employees of local governments.

PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. Notwithstanding, PERS Plan 2 and Plan 3 members may opt out of plan membership if terminally ill, with less than five years to live.

PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

PERS Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual benefit is two percent of the average final compensation (AFC) per year of service, capped at 60 percent. The AFC is based on the greatest compensation during any 24 eligible consecutive compensation months. Plan 1 members who retire from inactive status prior to the age of 65 may receive actuarially reduced benefits. The benefit is actuarially reduced to reflect the choice of a survivor option. A cost-of-living allowance (COLA) is granted at age 66 based upon years of service times the COLA amount, increased by three percent annually. Plan 1 members may also elect to receive an additional COLA amount that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at three percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service with an allowance of two percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at three percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions

finance a defined contribution component. The defined benefit portion provides a benefit calculated at one percent of the AFC per year of service. The AFC is based on the greatest compensation during any eligible consecutive 60-month period. Effective June 7, 2006, Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan service. Vested Plan 3 members are eligible to retire with a full benefits at age 65, or at age 55 with 10 years of service. Plan 3 members who retire prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a three percent per year reduction applies; otherwise an actuarial reduction will apply. The benefit is also actuarially reduced to reflect the choice of a survivor option. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2.

The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

Judicial Benefit Multiplier

Beginning January 1, 2007 through December 31, 2007, judicial members of PERS may choose to participate in the Judicial Benefit Multiplier Program (JBM). Justices and judges in PERS Plan 1 and 2 were able to make a one-time irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5% multiplier. The benefit would be capped at 75% of AFC. Judges in PERS Plan 3 could elect a 1.6% of pay per year of service benefit, capped at 37.5% of average compensation.

Members who choose to participate in JBM would: accrue service credit at the higher multiplier beginning with the date of their election, be subject to the benefit cap of 75%, pay higher contributions, stop contributing to the Judicial Retirement Account (JRA), and be given the option to increase the multiplier on past judicial service. Members who did not choose to participate would: continue to accrue service credit at the regular multiplier; continue to participate in JRA, if applicable; never be a participant in the JBM Program; and continue to pay contributions at the regular PERS rate.

Newly elected or appointed justices and judges who and choose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, are required to participate in the JPM Program. Members required into the JBM program would: return to prior PERS Plan if membership had previously been established; be mandated into Plan 2 and not have a Plan 3 transfer choice, if a new PERS member; accrue the higher multiplier for all judicial service; not contribute to JRA; and not have the option to increase the multiplier for past judicial service.

There are 932 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

| | |
|--|----------------|
| Retirees and Beneficiaries Receiving Benefits | 73,122 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 27,267 |
| Active Plan Members Vested | 105,212 |
| Active Plan Members Nonvested | 56,456 |
| Total | 262,057 |

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and 7.5 percent for state government elected officers. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to

determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

Members not participating in JPM:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------|--------------------|--------------------|--------------------|
| Employer* | 5.31%** | 5.31% | 5.31%*** |
| Employee | 6.00%**** | 3.90%**** | ***** |

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for state elected officials is 7.89% for Plan 1 and 5.31% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 3.90% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members participating in JBM:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|-----------------------------------|--------------------|--------------------|--------------------|
| Employer-State Agency* | 7.81% | 7.81% | 7.81%** |
| Employer-Local Government* | 5.31% | 5.31% | 5.31%** |
| Employee-State Agency | 9.76% | 7.25% | 7.50%*** |
| Employee-Local Government | 12.26% | 9.75% | 7.50%*** |

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** Plan 3 defined benefit portion only.

*** Minimum Rate.

Both the city and the employees made the required contributions. The city's required contributions for the years ended December 31 were as follows:

| | PERS Plan 1 | PERS Plan 2 | PERS Plan 3 |
|------|--------------------|--------------------|--------------------|
| 2009 | \$38,902 | \$584,364 | \$58,637 |
| 2008 | 45,903 | \$595,203 | \$62,253 |
| 2007 | 47,926 | 458,374 | 48,198 |

Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plans 1 and 2

Plan Description

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF participants who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members. Membership in the system includes all full-time, fully compensated, local law enforcement officers, firefighters and, as of July 24, 2005, those emergency medical technicians who were given the option and chose LEOFF Plan 2 membership. LEOFF membership is comprised primarily of non-state employees, with the Department of Fish and Wildlife enforcement officers, who were first included prospectively effective July 27, 2003, being an exception.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature for the LEOFF Plan 2 retirement plan.

LEOFF defined benefit retirement benefits are financed from a combination of investment earnings, employer and employee

contributions, and a special funding situation in which the state pays through state legislative appropriations. LEOFF retirement benefit provisions are established in state statute and may be amended by the State Legislature.

LEOFF Plan 1 members are vested after completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

| Term of Service | Percent of Final Average Salary |
|---------------------------|--|
| 20 or more years | 2.0% |
| 10 but less than 20 years | 1.5% |
| 5 but less than 10 years | 1.0% |

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 2 members are vested after completion five years of eligible service. Plan 2 members may retire at the age of 50 with 20 years of service, or at the age of 53 with five years of service, with an allowance of two percent of the FAS per year of service. The FAS is based on the highest consecutive 60 months. Plan 2 retirements prior to the age of 53 receive reduced benefits. Benefits are actuarially reduced for each year that the benefit commences prior to age 53 and to reflect the choice of a survivor option. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

There are 575 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2008:

| | |
|--|---------------|
| Retirees and Beneficiaries Receiving Benefits | 9,268 |
| Terminated Plan Members Entitled to But Not Yet Receiving Benefits | 650 |
| Active Plan Members Vested | 13,120 |
| Active Plan Members Nonvested | 3,927 |
| Total | 26,965 |

Funding Policy

Starting on July 1, 2000, LEOFF Plan 1 employers and employees contribute zero percent as long as the plan remains fully funded. Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plan. LEOFF Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board. All employers are required to contribute at the level required by state law. The Legislature, by means of a special funding arrangement, appropriated money from the General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the requirements of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. However, this special funding situation is not mandated by the state constitution and this funding requirement could be returned to the employers by a change of statute.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2009, were as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|-----------|---------------------|---------------------|
| Employer* | 0.16% | 5.24% ** |
| Employee | 0.00% | 8.46% |
| State | n/a | 3.38% |

*The employer rates include the employer administrative expense fee currently set at 0.16%.

** The employer rate for ports and universities is 8.62%.

Both the city and the employees made the required contributions. The city's required contributions for the years ended December 31 were as follows:

| | LEOFF Plan 1 | LEOFF Plan 2 |
|------|--------------|--------------|
| 2009 | \$0 | \$566,301 |
| 2008 | \$0 | 543,787 |
| 2007 | 0 | 482,912 |

FIREMEN'S PENSION

Plan Description

The Law Enforcement Officers' and Firefighters' (LEOFF) pension system was established by the State of Washington on March 1, 1970. The City retained the responsibility for all benefits payable to members (or to their survivors) who retired prior to that date. In addition, the City retained the responsibility for a portion of the benefits payable to members who were active on that date.

As a result, the City of Edmonds is the administrator of the Firemen's Pension Plan which is shown as a trust fund in the City's financial reports. Separate financial statements are not issued.

This system is a closed, single-employer, defined benefit pension system. All City firefighters who served before March 1, 1970 are participants of this pension fund. Benefits are established in accordance with Revised Code of Washington (RCW) 41.18 and 41.20. At December 31, 2009, there were five retirees receiving pension and medical benefits from this fund.

Firefighters hired between March 1, 1970 and September 30, 1977 are members of the LEOFF 1 pension system and are also eligible for a supplemental retirement benefit plus health benefits under the City plan. Generally, benefits under the LEOFF 1 retirement benefit system are greater than or equal to the retirement benefits under the City plan. However, should the benefits under the old law exceed those under LEOFF 1, the City becomes liable for the excess benefits. As such, the laws require the payment of excess benefits only and do not require a specific contribution rate by the City. At December 31, 2009 there were 29 retirees receiving medical benefits. These benefits were paid from the LEOFF 1 Retiree Medical Reserve Fund.

Funding Policy and Funding Status

Under State law, the Firemen's Pension Fund is provided an allocation of 25% of all monies received by the State from taxes on fire insurance premiums. The General Fund may provide additional funding through transfers to help fund benefits and administrative costs as necessary. Active pension plan members are not required to contribute to the plan. The funded status of the plan as of the most recent actuarial valuation date is 34% or an Unfunded Actuarial Liability of \$574,000.

Summary of Significant Accounting Policies

Basis of accounting - The financial statements are prepared using the accrual basis of accounting. Benefits are recognized when due and payable in accordance with the plan.

Valuation of investments - For reporting, interest earnings are recognized in the accounting period in which they become available and measurable. Investments are reported on the financial statements at fair value based on quoted market prices.

Concentration of Investments

At December 31, 2008 the Fire Pension Fund did not hold any investments. The net pension obligation has been recorded as a noncurrent liability on the City's government-wide statement of net assets.

THREE YEAR TREND INFORMATION

| <u>Fiscal Year Ending 12/31</u> | <u>Annual Pension Cost (APC)</u> | <u>Contribution as a Percentage of APC</u> | <u>Net Pension Obligation (NPO)</u> |
|-------------------------------------|--------------------------------------|--|---|
| 2007 | 24,878 | 68 | 189,974 |
| 2008 | 24,383 | 163 | 174,655 |
| 2009 | 35,918 | 93 | 176,990 |

The City's annual pension cost and net pension obligation changes for the current year and two preceding years were as follows:

| | 12/31/2007 | 12/31/2008 | 12/31/2009 |
|---|-------------------|-------------------|-------------------|
| 1. Annual Normal Cost (BOY) | \$0 | \$0 | \$0 |
| 2. Amortization of UAAL (BOY) | 27,266 | 27,266 | 39,330 |
| 3. Interest to EOY [(1)+(2)]x(i)* | 1,363 | 1,313 | 1,573 |
| Annual Required Contribution (ARC) at EOY [(1)+(2)+(3)] | \$28,629 | \$28,579 | 40,903 |
| 5. Interest on NPO | \$9,103 | \$9,499 | \$6,986 |
| 6. Adjustment to ARC | 12,854 | 13,745 | 11,971 |
| 7. Annual pension cost (APC) [(4)+(5)-(6)] | \$24,878 | \$24,333 | \$35,918 |
| 8. Employer Contributions** | 16,956 | 39,702 | 33,583 |
| 9. Change in NPO [(7)-(8)] | 7,922 | (15,319) | 2,335 |
| 10. NPO at BOY [(11) prior year] | \$182,052 | \$189,974 | \$174,655 |
| 11. NPO at EOY [(9)+(10)] | \$189,974 | \$174,655 | \$176,990 |

* 'i' is the assumed interest rate that year: 5.0% in 2007, 5.0% in 2008, 4.0% in 2009.

** Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

**Firefighter's Pension Fund
Schedule of Funding Progress**

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll © | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|---|--|--|--|-----------------------------------|----------------------------------|--|
| January 1, 2009 | \$297,000 | 871,000 | 574,000 | 34% | 0 | N/A |
| January 1, 2007 | 301,000 | 704,000 | 403,000 | 43% | \$0 | N/A |
| January 1, 2005 | 397,000 | 702,000 | 305,000 | 57% | 0 | N/A |
| January 1, 2004 * | 463,000 | 629,000 | 166,000 | 74% | 0 | N/A |

* Projected from November 30, 2003 Valuation.

Actuarial Information

On January 1 2009, Milliman Inc., actuaries and consultants, completed the Firemen's Pension Fund Actuarial valuation. This valuation was updated on May 26, 2010. In order to comply with reporting requirements, they computed the annual required contribution (ARC) using the Entry Age Cost Normal Actuarial Method.

Under this method, the projected benefits are allocated on a level basis as a percentage of salary over the earnings of each individual between entry age and assumed exit age. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund's assets. The UAAL is amortized as a level dollar amount over a closed 30 years beginning January 1, 2000.

Significant actuarial assumptions used in the valuation include:

- 4.0 percent investment return, compounded annually
- 3.5 percent annual salary increase
- 2.5 percent growth in fire insurance premium
- 2.5 percent increase in consumer price index
- 9.0 percent increase in medical inflation rate, trending down to 6.1 percent in 2017
- 5.0 percent increase in long term care inflation rate
- Plan assets are valued at market value

Prior actuarial studies used 5.0 percent investment return and a 3.0 percent growth in the fire insurance premium. There were no material changes to the benefit provisions, actuarial funding method, or other significant factors that affect required contributions.

MUNICIPAL EMPLOYEES BENEFITS TRUST (MEBT)

Full- and qualifying part-time City employees participate in the City-defined contribution plan. By majority vote, City employees approved the City's withdrawal from the Social Security System pursuant to 2 U.S.C.A., Sec. 418 (g) effective July 1, 1977. City employees who customarily work 1,000 or more hours per year and who otherwise would be eligible for Social Security coverage and benefits are required to participate. Both the City and participants are required to contribute an amount equal to the current Federal Insurance Contributions Act (FICA) tax rate. The City's contribution for fiscal year 2009 was \$1,288,000 which represents its full liability.

For the year ending December 31, 2009, the City's covered payroll was \$20,302,733.31. The City's total current year payroll for all employees is \$20,755,402.10. No significant benefit changes occurred in 2009.

The plan is administered by a Plan Committee consisting of two members appointed by the Mayor and five members elected by the employees who contribute to the plan. Members appointed by the Mayor hold office at the pleasure of the Mayor, elected members serve a two-year term and may be re-elected for an additional two-year term.

Plan assets are not City property, but are maintained in trust at American Stock Transfer and Trust Company. Plan assets, therefore, are not included in accompanying financial statements.

The City may amend the provisions of the plan, provided that no such amendment shall enlarge the duties or liabilities of the plan trustee without its consent.

The City has the right at any time to reduce suspend or completely discontinue its contributions to the plan.

Actuarial determinations are not required because 1) long-term disability insurance and survivor income insurance are provided by Group Insurance Policy No. 377655 with Standard Insurance Company, and 2) each participant shall, at his/her normal retirement, instruct the Trustee to (a) acquire a non-forfeitable, non-transferable annuity contract, (b) pay his/her retirement benefit from his/her account (no City or participant contributions shall be added to his account after retirement), and (c) pay a single cash sum. When a participant terminates, the Trustee shall be instructed to pay the full amount of the participant's contributions plus the vested portion credited to his account.

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

In addition to providing pension benefits described under “Fireman’s Pension,” the City provides post-employment health care benefits. In accordance with RCW 41.26.150, all employees who become eligible after age 50 or become disabled while employed with at least five years of service in the LEOFF I System are eligible. In addition to the 12 firefighters referenced in the Fireman’s Pension Fund there currently 25 retired police officers who meet the eligibility requirements. Under authorization of the Disability Board, the City pays medical insurance premiums and medical expenses including long-term care. Post-employment health care benefits are being funded on a pay as you go basis. The retiree does not contribute towards the cost of his/her medical care. Post-employment health care costs of \$349,230 and long-term care costs of \$74,633 were reported in the LEOFF 1 Medical Reserve Fund 009. At December 31, 2009 there was \$520,326 of Cash and cash equivalents available to pay benefits.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

| Fiscal Year Ending 12/31 | Annual OPEB Cost | Contribution as a Percentage of Annual OPEB Cost | Net OPEB Obligation |
|-----------------------------------|---------------------|---|------------------------|
| 2008 | \$560,511 | 79% | 208,516 |
| 2009 | 589,639 | 81% | 319,076 |

The City's annual OPEB and Net OPEB obligation for the current and preceding year were as follows:

| | <u>12/31/2008</u> | <u>12/31/2009</u> |
|--|-------------------|-------------------|
| 1. Annual Normal Cost (BOY) | \$0 | \$0 |
| 2. Amortization of UAAL (BOY) | 534,959 | 570,510 |
| 3. Interest to EOY [(1)+(2)]x(i)* | 26,748 | 22,820 |
| Annual Required Contribution (ARC) at EOY | | |
| 4. [(1)+(2)+(3)] | \$561,707 | \$593,330 |
| 5. Interest on Net OPEB Obligation | \$4,635 | \$8,341 |
| 6. Adjustment to ARC | 5,831 | 12,032 |
| 7. Annual pension cost (APC) [(4)+(5)-(6)] | \$560,511 | \$589,639 |
| 8. Employer Contributions | 444,701 | 479,076 |
| 9. Change in Net OPEB Obligation [(7)-(8)] | 115,810 | 110,563 |
| 10. Net OPEB Obligation at BOY [(11) prior year] | \$92,703 | \$208,513 |
| 11. Net OPEB Obligation at EOY [(9)+(10)] | \$208,513 | \$319,076 |

* 'i' is the assumed interest rate that year: 5.0% in 2007, 5.0% in 2008, 4.0% in 2009.

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll [(b-a)/c] |
|--------------------------------|--|--|------------------------------------|--------------------------|---------------------------|---|
| January 1, 2009 | \$0 | \$9,887 | \$9,887 | 0% | N/A | N/A % |
| January 1, 2007 | 0 | 8,635 | 8,635 | 0% | N/A | N/A |

Actuarial Information

GASB Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions requires the disclosure of the employer liability for retiree medical subsidies and other post-employment benefits. On January 1 2009, Milliman Inc., actuaries and consultants, completed an Actuarial valuation. In order to comply with reporting requirements, they computed the annual required contribution (ARC) using the Entry Age Cost Normal Actuarial Method. This valuation was updated on May 26, 2010.

The ARC is equal to an amount required each year to fully fund the liability. The amount allocated to each year is called the Normal Cost and the portion of the Actuarial Present Value of all benefits not provided for by future Normal Cost payments is called the Actuarial Liability. Since all members have already retired, the annual Normal Cost is zero. The Unfunded Actuarial Accrued Liability (UAAL) is the Actuarial Accrued Liability minus the actuarial value of the Fund's assets. The UAAL is amortized as a level dollar amount over a closed 30 years beginning January 1, 2007.

Significant actuarial assumptions used in the valuation include:

- 4.0 percent investment return, compounded annually
- 2.5 percent increase in consumer price index
- 9.0 percent increase in medical inflation rate, trending down to 6.1 percent in 2017
- 5.0 percent increase in long term care inflation rate
- Asset valuation method N/A

ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST (TRUST)

Trust Description. The City is a Participating Employer in the Association of Washington Cities Employee Benefit Trust, a cost-sharing multiple-employer welfare benefit plan administered by the Association of Washington Cities. The Trust provides medical benefits to certain eligible retired employees of the Participating Employers and their eligible family members. Under Article VII of the Trust document, the Trustees have the authority and power to amend the amount and nature of the medical and other benefits provided by the Trust. The Trust issues a publicly available financial report that includes financial statements and required supplementary information for the Trust. That report, along with a copy of the Trust document, may be obtained by writing to Trust at 1076 Franklin Street SE, Olympia, WA 98501-1346.

Funding Policy. The Trust provides that contribution requirements of Participating Employers and of participating employees, retirees and other beneficiaries, if any, are established and may be amended by the Board of Trustees of the Trust. Retirees of the City receiving medical benefits from the Trust contribute \$668.43 per month for non-Medicare enrolled retiree-only coverage, \$1,339.17 for non-Medicare enrolled retiree and spouse coverage, \$1,033.25 for Medicare enrolled retiree and non-Medicare enrolled spouse and \$731.95 for Medicare enrolled retiree and spouse coverage.

Participating Employers are contractually required to contribute at a rate assessed each year by the Trust. The required contribution rate expressed as a percentage of current year covered payroll is 15.8 percent. The City's contribution to the Trust for the year ended December 31, 2009 was \$3,344,275, which equaled the required contribution for the year.

Retiring employees from a Participating Employer have several retiree medical plans to choose from. The AWC Trust works directly with the retired employee, and no monies pass through the former employer. Additionally, the AWC Trust pools the health care costs of the retiree medical programs, and rates the programs accordingly. Currently, the AWC Trust Board of Trustees have committed to a retiree medical plan subsidy of 25% which is drawn from the accumulated medical reserve fund. The medical reserves have accumulated over the years from excess premium contributions of employers, active employees and retirees in favorable claims years. The Trust Board of Trustees can change their retiree medical plan subsidy policy in any given year.

NOTE 10 — LONG-TERM DEBT

Changes in Long-term Debt

During 2009 Public Works Trust Fund loan balances increased with additional draws on existing loans. For more information refer to the section on Public Works Trust Fund Loans.

The following tables summarize City long-term debt transactions for the year ended December 31, 2009:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------------------|--------------------|----------------------|---------------------------|--------------------------------|
| Governmental activities | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$20,204,446 | \$0 | (\$1,485,223) | \$18,719,223 | \$1,561,818 |
| Special assessment debt | | | | | |
| with government commitment | 100,000 | 0 | (100,000) | 0 | 0 |
| Total bonds payable: | 20,304,446 | 0 | (1,585,223) | 18,719,223 | 1,561,818 |
| Compensated absences | 3,665,929 | 2,003,555 | (2,541,317) | 3,128,167 | 2,617,557 |
| Capital contracts | 1,702,428 | 0 | (156,190) | 1,546,238 | 155,367 |
| Public Works Trust Loan | 1,184,699 | 0 | (72,201) | 1,112,498 | 72,201 |
| Governmental activity long-term liabilities | <u>\$26,857,502</u> | <u>\$2,003,555</u> | <u>(\$4,354,931)</u> | <u>\$24,506,126</u> | <u>\$4,406,943</u> |

Internal service funds predominately serve the governmental funds. Accordingly, the December 31, 2009 long-term liabilities for the fund are included as part of the above totals for governmental activities. At year end, the balance for the Internal Service Fund was for compensated absences in the amount of \$62,185.

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|------------------------------|--------------------|----------------------|---------------------------|--------------------------------|
| Business-type activities | | | | | |
| Bonds Payable: | | | | | |
| General obligation bonds | \$4,199,863 | \$0 | (\$210,947) | \$3,988,916 | \$221,320 |
| Revenue bonds | 3,620,000 | 0 | (365,000) | 3,255,000 | 385,000 |
| Less deferred amounts: | | | | | |
| For issuance premiums | 32,887 | 0 | (2,308) | 30,579 | 2,308 |
| For issuance discount | (24,435) | 0 | 2,601 | (21,834) | (2,601) |
| On refunding | (189,518) | 0 | 22,845 | (166,673) | (22,845) |
| Total bonds payable: | 7,638,797 | 0 | (552,809) | 7,085,988 | 583,182 |
| Compensated absences | 408,127 | 398,005 | (338,327) | 467,805 | 348,477 |
| Public Works Trust Loan | 2,102,253 | 1,004,451 | (162,658) | 2,944,046 | 195,273 |
| Business-type activity long-term liabilities | <u>\$10,149,177</u> | <u>\$1,402,456</u> | <u>(\$1,053,794)</u> | <u>\$10,497,839</u> | <u>\$1,126,932</u> |

General Obligation Bonds

The City issues general obligation bonds to provide funding for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City issues two types of general obligation bonds, Limited Tax General Obligation bonds (LTGO) and Unlimited Tax General Obligation bonds (UTGO). General obligation bonds have been issued for both governmental and business-type activities. At December 31, 2009 the City's balance of General obligation bonds outstanding was \$22,708,139. Of this amount, \$3,988,919 is an obligation of the Utility fund.

| GENERAL OBLIGATION BONDS | ORIGINAL AMOUNT ISSUED | DATE OF ORIGINAL ISSUE | DATE OF FINAL MATURITY | INT. RATES | AMOUNT OF INSTALLMENTS | BALANCE 12/31/09 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|-----------------------|-----------------------------------|-----------------------------|
| <u>General Government</u> | | | | | | |
| 1998 LTGO Ref. Bonds - Capital Improvements | 4,163,712 | 12/01/98 | 12/01/14 | 4.00/4.40 | 274,000 - 473,994 | 2,105,092 |
| 2001 LTGO Bonds - Capital Improvements | 2,545,000 | 09/01/01 | 12/01/21 | 3.00/4.90 | 87,759 - 188,055 | 1,767,717 |
| 2001 LTGO Bonds - Park Acquisition | 2,260,000 | 12/15/01 | 12/01/21 | 2.65/5.45 | 70,000 - 175,000 | 1,595,000 |
| 2002 LTGO Bonds - Performing Arts Center | 7,015,000 | 11/13/02 | 12/01/26 | 3.00/4.90 | 50,000 - 460,000 | 6,320,000 |
| 2003 UTGO Ref. Bonds - Public Safety Buildings | 7,000,000 | 07/01/03 | 12/01/16 | 2.00/3.50 | 70,000 - 960,000 | 5,660,000 |
| 2005 LTGO Bonds - Phone System | 120,000 | 02/23/05 | 12/01/10 | 3.53 | 14,685 - 22,883 | 22,883 |
| 2007 LTGO Bonds - Capital Improvements | 1,384,904 | 03/15/07 | 03/15/26 | 3.65/3.95 | 130,000-370,000 | 1,248,532 |
| <u>Business-type Activities</u> | | | | | | |
| 1998 LTGO Ref. Bonds - Capital Improvements | 316,288 | 09/01/01 | 12/01/21 | 3.00/4.90 | 20,827 - 36,006 | 159,909 |
| 2001 LTGO Bonds - Capital Improvements | 500,000 | 12/01/98 | 12/01/14 | 4.00/4.40 | 17,241 - 36,945 | 347,283 |
| 2005 LTGO Bonds - Phone System | 80,000 | 02/23/05 | 12/01/10 | 3.53 | 9,789 - 15,255 | 15,255 |
| 2007 LTGO Bonds - Capital Improvements | 3,845,096 | 03/15/07 | 03/15/26 | 3.65/3.95 | 130,000-370,000 | 3,466,468 |
| TOTAL GENERAL OBLIGATION BONDS | \$29,230,000 | | | | | \$22,708,139 |

Public Works Trust Fund Loans

The City has three existing Public Works Trust Fund loans that are general government obligations. Two of the loans are for the design (\$340,000) and construction (\$400,000) of the 220th Street Improvement. To date, the City has drawn down the full \$740,000 for the 220th Street Improvement project. The third loan funds the 100th Avenue West Right of Way Stabilization project. The amount drawn on the loan as of 12/31/2009 was \$624,750. The interest for these loans shall be 1/2% per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

The City has five Public Works Trust Fund loans that are business-type obligations. In 2002, the City secured a \$1,347,250 Public Works Trust Fund loan from the State of Washington to finance the 2002 Sanitary Sewer System Improvements. The scope of the improvements included two projects that had been identified as the City's highest priority wastewater collection system projects: the Edmonds Way Interceptor Rehabilitation Project and the Rehabilitation of Lift Station No. 1. To date, the City has received \$1,347,250 from the loan. The interest for this loan shall be 1/2% per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

In 2004, the City secured two Public Works Trust Fund loans. The first loan is for the Five Corners Water Pump Station project in the amount of \$408,000. During 2009, the City drew down \$306,000 for a total of \$387,600 received for this loan. The second loan (\$605,625) is for Stormwater Outfall improvements of which \$605,625 has been received. The interest for these loans shall be 1/2% per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

In 2005 the City secured a Public Works Trust Fund loan in the amount of \$1,216,902. During 2009, the City drew down \$608,451 for a total of \$1,156,057 received from the loan. The interest for this loan shall be 1/2% per annum on the outstanding principal balance and the term of the loan shall not exceed 20 years.

A new loan was secured in 2009 in the amount of \$100,000 to pay for the Water Comprehensive Plan. A draw was made in the amount of \$90,000 during the 2009 fiscal year.

| | ORIGINAL AMOUNT ISSUED | DATE OF ORIGINAL ISSUE | DATE OF FINAL MATURITY | INT. RATES | AMOUNT OF INSTALLMENTS | BALANCE 12/31/09 |
|--|------------------------------|------------------------------|------------------------------|---------------|---------------------------|---------------------|
| PUBLIC WORKS TRUST FUND LOANS | | | | | | |
| <u>General Government</u> | | | | | | |
| P W Trust Fund Loan - Street Construction | \$340,000 | 01/06/03 | 06/30/22 | 0.5 | \$18,143 | \$235,863 |
| P W Trust Fund Loan - Street Construction | 400,000 | 09/13/04 | 06/30/24 | 0.5 | 20,000 | 317,648 |
| P W Trust Fund Loan - Street Construction | 624,750 | 05/24/06 | 05/24/26 | 0.5 | 6,248 | 558,987 |
| <u>Business-type Activities</u> | | | | | | |
| P W Trust Fund Loan - Trt. Plant/Sewer Improv. | 1,347,250 | 07/17/02 | 06/30/22 | 0.5 | 67,363 | 927,225 |
| P W Trust Fund Loan - Water Improvements | 408,000 | 06/08/04 | 06/30/24 | 0.5 | 4,295 | 364,046 |
| P W Trust Fund Loan - Storm Improvements | 605,625 | 06/08/04 | 06/30/24 | 0.5 | 31,964 | 480,938 |
| P W Trust Fund Loan - Sewer Improvements | 1,216,902 | 05/23/05 | 06/30/25 | 0.5 | 12,169 | 1,081,837 |
| P W Trust Fund Loan - 09 Water Improvements | 100,000 | 03/03/09 | 07/01/15 | 0 | 18,000 | 90,000 |
| TOTAL PUBLIC WORKS TRUST FUND LOANS | \$5,042,527 | | | | | \$4,056,544 |

Capital Contracts

Governmental Activities Long-term Debt includes the following Capital Contracts:

In 1996 the City entered into an agreement with Snohomish County for a 20-year purchase contract for a fire station. The purchase price of the fire station is \$1,136,115 at 1.00 percent interest to be paid in annual installments for 20 years. No collateral was pledged.

In 2000 the City entered into an agreement with Snohomish County for a 20-year contract of financial assistance for public safety radio equipment. No collateral was pledged. For more information on this agreement, refer to Note 5 - Joint Ventures.

| | ORIGINAL AMOUNT ISSUED | DATE OF ORIGINAL ISSUE | DATE OF FINAL MATURITY | INT. RATES | AMOUNT OF INSTALLMENTS | BALANCE 12/31/09 |
|---|------------------------------|------------------------------|------------------------------|---------------|---------------------------|---------------------|
| CAPITAL CONTRACTS | | | | | | |
| 1996 Note - Fire Station #10 | \$1,136,115 | 01/01/96 | 01/01/15 | 1.00 | \$54,592 - \$65,300 | \$382,228 |
| 2005 Contract - Public Safety Radio Equipment | 1,595,046 | 06/01/05 | 12/01/19 | 3.00/5.00 | 77,457 - 141,288 | 1,164,010 |
| TOTAL CAPITAL CONTRACTS | \$2,731,161 | | | | | \$1,546,238 |

Revenue Bonds

The City also issues revenue bonds to provide financing for the capital programs of the City Utility Construction/Improvement fund, which includes Water, Sewer, Stormwater and Wastewater. The City does not pledge its full faith and credit for the payment of debt service on revenue bonds. Payment of debt service on the bonds issued for each utility is derived solely from the revenues generated by the related utility.

| | ORIGINAL AMOUNT ISSUED | DATE OF ORIGINAL ISSUE | DATE OF FINAL MATURITY | INT. RATES | AMOUNT OF INSTALLMENTS | BALANCE 12/31/09 |
|----------------------------------|------------------------------|------------------------------|------------------------------|---------------|---------------------------|---------------------|
| REVENUE BONDS | | | | | | |
| 1998 Water/Sewer Refunding Bonds | \$2,420,000 | 03/01/98 | 12/01/13 | 4.00- 4.85 | \$235,000 - \$1,290,000 | \$1,075,000 |
| 2003 Water/Sewer Refunding Bonds | 7,875,000 | 04/01/03 | 12/01/22 | 2.00/4.45 | 130,000 - 1,045,000 | 2,180,000 |
| TOTAL REVENUE BONDS | \$10,295,000 | | | | | \$3,255,000 |

Debt Limit

RCW 39.36.020 provides cities with three segments of debt capacity, each equal to two and one-half percent of the city's assessed valuation, for a total of seven and one-half percent (7.5%). Allowable uses of these segments are as follows:

Segment 1 – General Governmental Purposes

The City can incur debt up to one and one-half percent (1.5%) of its assessed valuation solely with a vote of the legislative body (often referred to as "councilmanic" debt). To use the remaining one percent (1%), a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election is required.

Segment 2 – City-Owned Water and Sewer Purposes

The City can incur debt up to an additional two and one-half percent (2.5%) for water and sewer purposes with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

Segment 3 – Acquiring and Developing Open Space, Parks Facilities, and Capital Facilities Associated with Economic Development

The City can incur debt up to an additional two and one-half percent (2.5%) for acquiring and developing open space, parks facilities, and capital facilities associated with economic development purposes with a 60 percent vote in favor of the issue by at least 40 percent of the voters voting in the last general election.

Debt Limit Capacity

| | Governmental Purposes | | Water & Sewer Purposes | Park & Capital Facilities |
|------------------------------|----------------------------------|----------------|------------------------|---------------------------|
| | Without Vote (Councilmanic) 1.5% | With Vote 2.5% | With Vote 2.5% | With Vote 2.5% |
| Legal Limits | \$104,332,241 | \$69,554,827 | \$173,887,068 | \$173,887,068 |
| Net Outstanding Indebtedness | (22,877,320) | (5,660,000) | 0 | 0 |
| Margin Available | \$81,454,920 | \$63,894,827 | \$173,887,068 | \$173,887,068 |

Refunded Debt

In prior years, the City has defeased several revenue bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds used to purchase U.S. Government securities that were placed in the trust funds. Investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt is considered defeased and therefore removed as a liability from City financial statements.

Debt Service to Maturity

The requirements to amortize the long-term debt as of December 31, 2009 are presented below. Debt service for the LTGO bonds are met by the General Fund and certain special revenue funds, and reimbursements from proprietary funds of the City

with the exception of the 2002 LTGO issue. The PFD is obligated by inter-local agreement to transfer sales tax rebate revenues to the City to help offset the City's debt service costs over the life of these bonds (refer to Note 1 – Reporting Entity). Debt service for the UTGO bonds are covered by property tax levies that authorized the bond issues. Debt service for the revenue bonds is paid by the Utility Fund. Debt service for the capital contracts is expended from the General Fund. In prior years the City has typically used the General Fund to liquidate long-term liabilities other than debt.

Following is a table which reflects debt service to maturity for Governmental Activities and Business-Type Activities.

| Year | GOVERNMENTAL ACTIVITIES | | | BUSINESS TYPE ACTIVITIES | | |
|-----------|-------------------------|--------------------|---------------------|--------------------------|--------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2010 | 1,789,386 | 837,989 | 2,627,374 | 801,592 | 308,760 | 1,110,352 |
| 2011 | 1,870,415 | 776,145 | 2,646,560 | 826,067 | 284,431 | 1,110,498 |
| 2012 | 1,965,761 | 708,925 | 2,674,685 | 830,652 | 257,819 | 1,088,471 |
| 2013 | 1,940,390 | 637,225 | 2,577,615 | 866,677 | 230,320 | 1,096,997 |
| 2014 | 2,047,535 | 567,437 | 2,614,972 | 595,909 | 201,139 | 797,048 |
| 2015-2019 | 6,424,549 | 1,880,439 | 8,304,989 | 2,980,178 | 765,631 | 3,745,809 |
| 2020-2024 | 3,982,181 | 802,527 | 4,784,709 | 2,686,250 | 317,109 | 3,003,359 |
| 2025-2029 | 1,357,743 | 88,386 | 1,446,130 | 600,636 | 32,137 | 632,773 |
| | <u>\$21,377,959</u> | <u>\$6,299,074</u> | <u>\$27,677,033</u> | <u>\$10,187,962</u> | <u>\$2,397,346</u> | <u>\$12,585,308</u> |

At December 31, 2009 the City had \$683,049 in the Enterprise fund available for debt service.

Arbitrage

The Federal Tax Reform Act of 1986 requires tax-exempt debt issuers to pay investment income received at yields that exceed the issuer's borrowing rates to the United States Treasury. The liability is recorded at present value and payable every five years or 60 days after defeasance of the debt. At December 31, 2009, the City of Edmonds had no arbitrage liability.

NOTE 11 – SHORT-TERM DEBT

The City did not issue short-term debt during 2009 and has no outstanding short-term debt at December 31, 2009.

NOTE 12 — CONTINGENCIES AND LITIGATIONS

The City is exposed to the risk of loss from torts, theft of or damage to assets, business interruption, errors or omissions, law enforcement actions, contractual actions, natural disasters, environmental regulations, and other third-party liabilities. The City also bears the risk of loss for job-related illnesses and injuries to employees. The City has insurance policies to cover these general liability risks with the Washington Cities Insurance Authority (WCIA). Refer to Note 13 for more detailed information on risk management.

There are several other pending lawsuits in which the City is named. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements. The City participates in a number of federal- and state-assisted programs. These programs are subject to audit by the governmental unit administering the program or their representative. Such audits could result in requests for reimbursement of disallowed expenditures. Based on audit history, City management believes that any disallowance will be immaterial. The City Council approved a guaranty of a borrowing of the Edmonds Public Facilities District for up to \$7 million. This guaranty represents an outstanding contingent liability of the City.

NOTE 13 — RISK MANAGEMENT

The City of Edmonds is a member of the Washington Cities Insurance Authority.

Utilizing Chapter 48.62 RCW (self-insurance regulation) and Chapter 39.34 RCW (Interlocal Cooperation Act), nine cities originally formed WCIA on January 1, 1981. WCIA was created for the purpose of providing a pooling mechanism for jointly purchasing insurance, jointly self-insuring, and / or jointly contracting for risk management services. WCIA has a total of 136 Members.

New members initially contract for a three-year term, and thereafter automatically renew on an annual basis. A one-year withdrawal notice is required before membership can be terminated. Termination does not relieve a former member from its unresolved loss history incurred during membership.

Liability coverage is written on an occurrence basis, without deductibles. Coverage includes general, automobile, police, public officials' errors or omissions, stop gap, and employee benefits liability. Limits are \$4 million per occurrence self insured layer, and \$16 million per occurrence in the re-insured excess layer. The excess layer is insured by the purchase of reinsurance and insurance and is subject to aggregate limits. Total limits are \$20 million per occurrence subject to aggregate sublimits in the excess layers. The Board of Directors determines the limits and terms of coverage annually.

Insurance coverage for property, automobile physical damage, fidelity, inland marine, and boiler and machinery are purchased on a group basis. Various deductibles apply by type of coverage. Property insurance and auto physical damage are self-funded from the members' deductible to \$500,000, for all perils other than flood and earthquake, and insured above that amount by the purchase of insurance.

In-house services include risk management consultation, loss control field services, claims and litigation administration, and loss analyses. WCIA contracts for the claims investigation consultants for personnel issues and land use problems, insurance brokerage, and lobbyist services.

WCIA is fully funded by its members, who make annual assessments on a prospectively rated basis, as determined by an outside, independent actuary. The assessment covers loss, loss adjustment, and administrative expenses. As outlined in the interlocal, WCIA retains the right to additionally assess the membership for any funding shortfall.

An investment committee, using investment brokers, produces additional revenue by investment of WCIA's assets in financial instruments which comply with all State guidelines. These revenues directly offset portions of the membership's annual assessment.

A Board of Directors governs WCIA, which is comprised of one designated representative from each member. The Board elects an Executive Committee and appoints a Treasurer to provide general policy direction for the organization. The WCIA Executive Director reports to the Executive Committee and is responsible for conducting the day to day operations of WCIA.

In the past three years, settlements have not exceeded insurance coverage.

NOTE 14 — LEASES

Lease Revenues

The City receives revenue by leasing land to T-Mobile West Corporation for a cell tower placed on the Five Corners Water Tank Site. The original lease was signed in 1997 for a term of five years and could be renewed for five additional five-year terms. Along with the actual tower lease, there are two sub-leases to co-locate on the tower leased to T-Mobile. The first lease is with Clearwire, LLC and the second lease is with Cingular Wireless. Each of these leases was signed in 1997 for a five-year term and could be renewed for three additional five-year periods.

The City entered into a telecommunications contract in March of 2007 with the Netriver Corporation. The three year contract allows Netriver Corporation to use the City's fiber optic network. At the end of the three year contract, the agreement shall continue on a month to month basis until the contract is terminated in writing or a new contract is executed.

The City receives revenue from operating leases as a result of renting space in various City buildings. At the Anderson Center, the City has five recreation contracts that allow various organizations to rent out a total of 18.5 spaces. The recreation leases are renewed annually. The Anderson Center has an original cost of \$3,056,857 and a book value of \$1,689,956. Depreciation expense for 2009 was \$142,120.

The City rents space at the old Public Works building. The City entered into a month-to-month contract with the Edmonds Arts Festival Foundation on November 13, 2009. The Foundations rents three garage bays as part of the City's Cultural Arts Plan. The City also entered into a ten year lease agreement with the Driftwood Players in December of 2009 to rent administrative office space along with the old crew area space. The old Public Works building has an original cost of

\$249,396 and a book value of \$55,228. Depreciation expense for 2009 was \$3,451.

The Edmonds Chamber of Commerce rents space on the first floor of city hall. The contract automatically renews annually unless terminated by the parties. City Hall's original cost is \$3,910,469 and carries a book value of \$2,053,201. Depreciation expense for 2009 was \$131,756.

The City has two leases which provide recreational services to the citizens. A four year lease agreement was entered into on December 29, 2006 with the Boys and Girls Clubs of Snohomish County. The agreement may be renewed for consecutive five-year terms upon mutual agreement of the parties. The original cost of the Boys and Girls Clubs of Snohomish County is \$85,570 and is fully depreciated. A lease agreement was entered into with the South County Senior Center, Inc on December 1, 2009. The term of the lease is for eleven years and is automatically renewable for two additional five-year terms for a total of twenty-one years. The Senior Center original cost is \$1,060,523 and carries a book value of \$174,868. Depreciation expense for 2009 was \$51,534.

In July of 2009 a one year lease was signed with Shorts 'n Slippas, LLC for the organization to run a concession stand on the public right of way.

In 2009, the General Fund received \$167,995 and the Enterprise Fund received \$50,063 in rental income.

NOTE 15 — COMMITMENTS

The City has several capital improvement projects in progress. As of December 31, 2009, the City's outstanding contractual obligations, which include construction and engineering contracts, are summarized below:

| Contract Name | Original Amount | Expenditures to Date | Remaining Commitment |
|---|-----------------|----------------------|----------------------|
| 12th Avenue North Storm System Imp. | \$ 16,975 | \$ 14,942 | \$ 2,033 |
| 2009 Asphalt Overlay | 954,335 | 853,677 | 100,658 |
| 226th Street SW Walkway | 40,984 | 16,241 | 24,743 |
| 4th Avenue Cultural Corridor | 100,000 | 97,950 | 2,050 |
| 76th/75th Walkway & 162nd St Park | 2,027,267 | 1,443,505 | 583,762 |
| BNSF Utilities Upgrade | 158,640 | 129,543 | 29,097 |
| Caspers/Ninth Avenue/Puget Walkway | 759,313 | 721,554 | 37,759 |
| Comprehensive Transportation Plan | 227,913 | 218,285 | 9,628 |
| Interurban Trail | 450,478 | 301,877 | 148,601 |
| Lift Station 2 Rehabilitation (LS 7-8) | 443,754 | 234,353 | 209,401 |
| Lift Station 7/8 Improvements | 2,948,176 | 2,794,332 | 153,844 |
| Municipal Storm Pollution Prevention | 13,127 | 2,069 | 11,058 |
| Old Woodway Park | 2,001,136 | 1,957,509 | 43,627 |
| OVD Improvements w/Lynnwood | 434,730 | 385,106 | 49,624 |
| Sewer Infiltration & Inflow Study | 198,421 | 97,744 | 100,677 |
| Sewer Lift Stations Rehabilitation | 455,000 | 89,754 | 365,246 |
| SR99 International District Enhancements | 100,000 | 82,000 | 18,000 |
| SR99/76th Avenue West Intersection | 155,899 | 127,480 | 28,419 |
| Stormwater Comprehensive Plan | 184,633 | 131,112 | 53,521 |
| Talbot Rd/Perrinville Creek Drainage Imp. | 105,105 | 74,166 | 30,939 |
| Water Comprehensive Plan | 147,809 | 110,625 | 37,184 |
| Water Supply System Improvements | 1,197,999 | 1,106,729 | 91,270 |
| Clay Feeder Project | 53,655 | 51,205 | 2,450 |
| Secondary Clarifier #2 Rehabilitation | 94,574 | 67,805 | 26,769 |

| | | | |
|---------------------------|----------------------|----------------------|---------------------|
| 500 Bldg Roof Replacement | 34,055 | - | 34,055 |
| Energy Efficiency Upgrade | 528,457 | - | 528,457 |
| Odor Control Improvement | 1,720,820 | 494,020 | 1,226,800 |
| | <u>\$ 15,553,255</u> | <u>\$ 11,603,583</u> | <u>\$ 3,949,672</u> |

REQUIRED SUPPLEMENTARY INFORMATION

Firefighter's Pension Fund
Schedule of Contributions from Employer and Other Contributing Entities

| Fiscal Year Ending 12/31 | Medical and Long Term Care Payments | Fire Insurance Premium Taxes | Total Employer Contributions*** | Annual Required Contribution | Percentage of ARC Contributed** |
|--------------------------------|--|---------------------------------|------------------------------------|------------------------------------|---------------------------------------|
| 2009 | (8,589) | 42,172 | 33,583 | 40,903 | 82 % |
| 2008 | (4,524) | 44,226 | 39,702 | 28,629 | 139 |
| 2007 | (25,575) | 42,531 | 16,956 | 28,629 | 59 |
| 2006 | (59,930) | 38,540 | (21,390) | 23,901 | (89) |
| 2005 | (62,106) | 35,519 | (26,587) | 23,901 | (111) |
| 2004 | (68,388) | 33,452 | (34,936) | 14,060 | (248) |
| 2003 | (47,145) | 25,836 | (21,309) | (4,655) | N/A |

** In years with a negative ARC, this percentage is not applicable.

*** * Employer contributions for pensions are total contributions to the Fund net of disbursements from the Fund for medical expenses under RCW 41.26.150 and administrative expenses.

OPEB
Schedule of Employer Contributions

| Fiscal Year Ending 12/31 | Total Employer Contributions*** | Annual Required Contribution | Percentage of ARC Contributed** |
|--------------------------------|------------------------------------|------------------------------------|---------------------------------------|
| 2009 | \$479,076 | \$593,330 | 81 % |
| 2008 | 444,701 | 561,707 | 79 |
| 2007 | 469,004 | 561,707 | 83 |



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COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

GOVERNMENTAL FUNDS



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**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

| | SPECIAL REVENUE | DEBT SERVICE | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|----------------------------|-------------------------|--|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$5,253,990 | \$56,686 | \$5,310,676 |
| Receivables, net | | | |
| Assessments | 0 | 33,766 | 33,766 |
| Due from other governmental units | 445,954 | 0 | 445,954 |
| Total Current Assets | 5,699,944 | 90,452 | 5,790,396 |
| RESTRICTED ASSETS | | | |
| Special assessments - deferred | 0 | 267,726 | 267,726 |
| Total Restricted Assets | 0 | 267,726 | 267,726 |
| TOTAL ASSETS | \$5,699,944 | \$358,178 | \$6,058,122 |
| LIABILITIES AND FUND BALANCES | | | |
| CURRENT LIABILITIES | | | |
| Wages payable | \$26,446 | \$0 | \$26,446 |
| Accounts payable | 214,822 | 0 | 214,822 |
| Interfund loans payable | 124,300 | 0 | 124,300 |
| Custodial accounts | (537) | 0 | (537) |
| Other current liabilities | 34,588 | 0 | 34,588 |
| Total Current Liabilities | 399,619 | 0 | 399,619 |
| NONCURRENT LIABILITIES | | | |
| Deferred revenues | 0 | 301,608 | 301,608 |
| Total Noncurrent Liabilities | 0 | 301,608 | 301,608 |
| TOTAL LIABILITIES | 399,619 | 301,608 | 701,227 |
| FUND BALANCES | | | |
| Reserved for: | | | |
| Drug enforcement | 0 | 0 | 0 |
| Debt service | 0 | 56,570 | 56,570 |
| Unreserved, reported in: | | | |
| Special revenue funds | 5,300,325 | 0 | 5,300,325 |
| TOTAL FUND BALANCES | 5,300,325 | 56,570 | 5,356,895 |
| TOTAL LIABILITIES AND FUND BALANCES | \$5,699,944 | \$358,178 | \$6,058,122 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | SPECIAL REVENUE | DEBT SERVICE | TOTAL NONMAJOR GOVERNMENTAL FUNDS |
|--|----------------------------|-------------------------|--|
| REVENUES | | | |
| Taxes | \$1,144,156 | \$0 | \$1,144,156 |
| Licenses and permits | 28,375 | 0 | 28,375 |
| Intergovernmental revenues | 2,922,187 | 0 | 2,922,187 |
| Charges for services | 257,283 | 0 | 257,283 |
| Other revenues | 312,381 | 460,381 | 772,762 |
| Total revenues | 4,664,382 | 460,381 | 5,124,763 |
| EXPENDITURES | | | |
| Current: | | | |
| General government services | 616,620 | 210 | 616,830 |
| Security of persons and property | 63,035 | 0 | 63,035 |
| Physical environment | 128,877 | 0 | 128,877 |
| Transportation | 1,777,748 | 0 | 1,777,748 |
| Economic environment | 16,696 | 0 | 16,696 |
| Culture and recreation | 426,151 | 0 | 426,151 |
| Capital outlay | 4,991,643 | 0 | 4,991,643 |
| Debt service: | | | |
| Principal | 547,679 | 250,000 | 797,679 |
| Interest | 204,398 | 298,347 | 502,745 |
| Total expenditures | 8,772,847 | 548,557 | 9,321,404 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (4,108,465) | (88,176) | (4,196,641) |
| OTHER FINANCING SOURCES (USES) | | | |
| Disposition of capital assets | 52,008 | 0 | 52,008 |
| Transfers in | 1,319,746 | 72,040 | 1,391,786 |
| Transfers out | (302,826) | 0 | (302,826) |
| Total other financing sources (uses) | 1,068,928 | 72,040 | 1,140,968 |
| Net change in fund balances | (3,039,537) | (16,136) | (3,055,673) |
| Fund balances - beginning | 8,339,862 | 72,706 | 8,412,568 |
| FUND BALANCES - ENDING | \$5,300,325 | \$56,570 | \$5,356,895 |

SPECIAL REVENUE FUNDS DESCRIPTION

Special Revenue Funds account for revenue from specific sources (other than special assessments) or finance specified activities as required by law or administrative regulations. Individual fund descriptions are as follows:

009 LEOFF Medical Reserve Fund – created in 1995 in order to establish reserves for the long-term health care and related obligations of LEOFF I employees. Reserve amounts are transferred from the General Fund and are approved by the City Council.

104 Drug Enforcement Fund – all monies and proceeds from the sale of property seized during drug investigations, and for the expenditure of those monies for drug enforcement.

111 Street Fund – revenues from State fuel taxes apportioned from the State of Washington and expenditures as specified under Revised Code of Washington, RCW 47.24 and 47.30.

112 Street Construction Fund – used to account for transportation improvement projects funded by a variety of sources, including federal and state transportation grants, motor vehicle fuel tax, impact fees and Public Works Trust Fund Loans.

113 Multimodal Transportation Fund – established in 1994 to simplify and facilitate accounting for the various local, state, and federal grants and for expenditures that will occur during the planning and development of the multimodal transportation center in Edmonds.

116 Building Maintenance Fund – expenditures incurred for major maintenance of City buildings.

117 Municipal Arts Acquisition Fund – revenues from performing arts programs and one percent of costs of capital construction projects designated by Council and Ordinance No. 1802.

118 Memorial Street Fund – established by Ordinance No. 2396 for the deposit of voluntary contributions to enhance the appearance of Edmonds' city streets by planting street trees in conformance with the Edmonds Street Tree Plan.

120 Hotel/Motel Tax Fund – revenues from two percent of State sales tax collected from lodging within City boundaries. State law requires the funds to be restricted to construction, operation and maintenance of a convention/performing arts center, and promoting tourism.

121 Employee Parking Permit Fund – City employees' parking permit fees.

122 Youth Scholarship Fund – revenues from the Edmonds Charity Festival of Fashion and expenditures to help children with financial hardships participate in recreation and cultural activities and programs.

123 Tourism/Promotional Arts Fund – twenty-five percent of sales tax revenues from lodging within the City's boundaries for promoting tourism; administered by Edmonds Arts Commission.

125 Real Estate Excise Tax (REET) 2 Fund – collects the second quarter percent real estate excise tax collections which are restricted to the use of improvement, renovation, planning and development of parks and streets.

126 REET 1 Parks Acquisition Fund – collection includes the first one fourth percent real estate excise tax on real estate sales. The fund is used to cover debt service for City Hall, Marina Beach and the Edmonds Center for the Arts city contribution. Excess revenues received are used to acquire and improve park and recreation properties and facilities throughout the City.

127 Gifts Catalog Fund – funds donated to the City and used as specified by donor in accordance with the Gift Catalog Program.

129 Special Projects Fund – funds used for the Highway 99 International District Enhancements Project.

130 Cemetery Maintenance/Improvement Fund – for revenue from a probate endowment that is restricted to the improvement and maintenance of the City cemetery.

131 Fire Donations – for fire department donations. These contributions are tax deductible and are used for small equipment and supplies.

132 Parks Construction Fund – is used to accumulate resources from various sources including taxes, grants and contributions to be expended for park improvement, maintenance and renovation projects.

136 Parks Trust Fund – established in 2003 for the purpose of receiving donations from citizens with the intent that interest earned will be used to assist in the cost of operating, maintaining, and improving the City Flower Program, Environmental/Beach Ranger Program, and Yost Park Pool.

137 Cemetery Maintenance Trust Fund – established for the purpose of providing an ongoing, stable source of funding for the long-term care and maintenance of the City-owned cemetery. Revenue sources are from lot sales, burial fees, and donations, which provide an investment base for earning expendable interest.

138 Sister City Commission – provides an audit trail for both public and private contributions to be used to promote relationships with Japan.

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009
(Page 1 of 5)

| | 009 LEOFF MEDICAL RESERVE FUND | 104 DRUG ENFORCEMENT FUND | 111 STREET FUND | 112 STREET CONSTRUCTION FUND |
|--|---|--|--------------------------------|---|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$520,326 | \$146,419 | \$360,490 | \$40,002 |
| Receivables, net | | | | |
| Due from other governmental units | 0 | 0 | 51,522 | 280,128 |
| Total Current Assets | 520,326 | 146,419 | 412,012 | 320,130 |
| TOTAL ASSETS | \$520,326 | \$146,419 | \$412,012 | \$320,130 |
| LIABILITIES AND FUND BALANCES | | | | |
| CURRENT LIABILITIES | | | | |
| Wages payable | \$0 | \$0 | \$23,056 | \$0 |
| Accounts payable | 8,150 | 14,980 | 14,028 | 80,248 |
| Interfund loans payable | 0 | 0 | 0 | 124,300 |
| Custodial accounts | 0 | (537) | 0 | 0 |
| Other current liabilities | 0 | 0 | 4,398 | 19,847 |
| Total Current Liabilities | 8,150 | 14,443 | 41,482 | 224,395 |
| TOTAL LIABILITIES | 8,150 | 14,443 | 41,482 | 224,395 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Loans receivable | 0 | 0 | 0 | 0 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 512,176 | 131,976 | 370,530 | 95,735 |
| TOTAL FUND BALANCES | 512,176 | 131,976 | 370,530 | 95,735 |
| TOTAL LIABILITIES AND FUND BALANCES | \$520,326 | \$146,419 | \$412,012 | \$320,130 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009
(Page 2 of 5)

| | 113 MULTIMODAL TRANSPORTATION FUND | 116 BUILDING MAINTENANCE FUND | 117 MUNICIPAL ARTS ACQUIS. FUND | 118 MEMORIAL TREE FUND |
|--|---|--|--|---|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$51,542 | \$77,785 | \$374,673 | \$17,570 |
| Receivables, net | | | | |
| Due from other governmental units | 4,633 | 0 | 0 | 0 |
| Total Current Assets | 56,175 | 77,785 | 374,673 | 17,570 |
| TOTAL ASSETS | \$56,175 | \$77,785 | \$374,673 | \$17,570 |
| LIABILITIES AND FUND BALANCES | | | | |
| CURRENT LIABILITIES | | | | |
| Wages payable | \$0 | \$0 | \$0 | \$0 |
| Accounts payable | 0 | 31,730 | 126 | 0 |
| Interfund loans payable | 0 | 0 | 0 | 0 |
| Custodial accounts | 0 | 0 | | 0 |
| Other current liabilities | 0 | 4,020 | 0 | 0 |
| Total Current Liabilities | 0 | 35,750 | 126 | 0 |
| TOTAL LIABILITIES | 0 | 35,750 | 126 | 0 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Loans receivable | 0 | 0 | 0 | 0 |
| Unreserved, reported in: | | | | |
| Special revenue funds | 56,175 | 42,035 | 374,547 | 17,570 |
| TOTAL FUND BALANCES | 56,175 | 42,035 | 374,547 | 17,570 |
| TOTAL LIABILITIES AND FUND BALANCES | \$56,175 | \$77,785 | \$374,673 | \$17,570 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009
(Page 3 of 5)

| | 120 HOTEL/ MOTEL TAX FUND | 121 EMPLOYEE PKG PERMIT FUND | 122 YOUTH SCHOLARSHIP FUND | 123 TOURISM PROMOTIONAL/ ARTS FUND | 125 RECREATION FUND |
|--|--|---|---|---|------------------------------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$181,037 | \$93,897 | \$17,166 | \$50,855 | \$1,634,701 |
| Receivables, net | | | | | |
| Due from other governmental units | 9,534 | 0 | 0 | 0 | 50,068 |
| Total Current Assets | 190,571 | 93,897 | 17,166 | 50,855 | 1,684,769 |
| TOTAL ASSETS | \$190,571 | \$93,897 | \$17,166 | \$50,855 | \$1,684,769 |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Wages payable | \$0 | \$0 | \$0 | \$0 | \$0 |
| Accounts payable | 3,000 | 0 | 0 | 0 | 58,362 |
| Interfund loans payable | 0 | 0 | 0 | 0 | 0 |
| Custodial accounts | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 0 | 0 | 0 | 0 | 6,323 |
| Total Current Liabilities | 3,000 | 0 | 0 | 0 | 64,685 |
| TOTAL LIABILITIES | 3,000 | 0 | 0 | 0 | 64,685 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Loans receivable | 0 | 0 | 0 | 0 | 0 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 187,571 | 93,897 | 17,166 | 50,855 | 1,620,084 |
| TOTAL FUND BALANCES | 187,571 | 93,897 | 17,166 | 50,855 | 1,620,084 |
| TOTAL LIABILITIES AND FUND BALANCES | \$190,571 | \$93,897 | \$17,166 | \$50,855 | \$1,684,769 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009
(Page 4 of 5)

| | 126 REET 1 PARKS ACQUIS. FUND | 127 GIFTS CATALOG FUND | 129 SPECIAL PROJECTS FUND | 130 CEMETERY MAINT/IMPRV FUND | 131 FIRE DONATION FUND |
|--|--|---|--|--|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$443,586 | \$172,069 | \$3,052 | \$100,824 | \$22,462 |
| Receivables, net | | | | | |
| Due from other governmental units | 50,069 | 0 | 0 | 0 | 0 |
| Total Current Assets | 493,655 | 172,069 | 3,052 | 100,824 | 22,462 |
| TOTAL ASSETS | \$493,655 | \$172,069 | \$3,052 | \$100,824 | \$22,462 |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Wages payable | \$0 | \$0 | \$0 | \$3,390 | \$0 |
| Accounts payable | 830 | 0 | 0 | 3,368 | 0 |
| Interfund loans payable | 0 | 0 | 0 | 0 | 0 |
| Custodial accounts | 0 | 0 | 0 | 0 | 0 |
| Other current liabilities | 0 | 0 | | 0 | 0 |
| Total Current Liabilities | 830 | 0 | 0 | 6,758 | 0 |
| TOTAL LIABILITIES | 830 | 0 | 0 | 6,758 | 0 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Loans receivable | 0 | 0 | 0 | 0 | 0 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 492,825 | 172,069 | 3,052 | 94,066 | 22,462 |
| TOTAL FUND BALANCES | 492,825 | 172,069 | 3,052 | 94,066 | 22,462 |
| TOTAL LIABILITIES AND FUND BALANCES | \$493,655 | \$172,069 | \$3,052 | \$100,824 | \$22,462 |

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009
(Page 5 of 5)

| | 132 PARKS CONST. FUND | 136 PARKS TRUST FUND | 137 CEMETERY MAINTENANCE TRUST FUND | 138 SISTER CITY COMMISSION | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|--|--|---|--|---|---|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and cash equivalents | \$24,007 | \$144,280 | \$766,066 | \$11,181 | \$5,253,990 |
| Receivables, net | | | | | |
| Due from other governmental units | 0 | 0 | 0 | 0 | 445,954 |
| Total Current Assets | 24,007 | 144,280 | 766,066 | 11,181 | 5,699,944 |
| TOTAL ASSETS | \$24,007 | \$144,280 | \$766,066 | \$11,181 | \$5,699,944 |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Wages payable | \$0 | \$0 | \$0 | \$0 | \$26,446 |
| Accounts payable | 0 | 0 | 0 | 0 | 214,822 |
| Interfund loans payable | 0 | 0 | 0 | 0 | 124,300 |
| Custodial accounts | 0 | 0 | 0 | 0 | (537) |
| Other current liabilities | 0 | 0 | 0 | 0 | \$34,588 |
| Total Current Liabilities | 0 | 0 | 0 | 0 | 399,619 |
| TOTAL LIABILITIES | 0 | 0 | 0 | 0 | 399,619 |
| FUND BALANCES | | | | | |
| Reserved for: | | | | | |
| Loans receivable | 0 | 0 | 0 | 0 | 0 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 24,007 | 144,280 | 766,066 | 11,181 | 5,300,325 |
| TOTAL FUND BALANCES | 24,007 | 144,280 | 766,066 | 11,181 | 5,300,325 |
| TOTAL LIABILITIES AND FUND BALANCES | \$24,007 | \$144,280 | \$766,066 | \$11,181 | \$5,699,944 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(Page 1 of 5)

| | 009 LEOFF MEDICAL RESERVE FUND | 104 DRUG ENFORCEMENT FUND | 111 STREET FUND | 112 STREET CONSTRUCTION FUND |
|--|---|--|--------------------------------|---|
| REVENUES | | | | |
| Taxes | \$0 | \$0 | \$0 | \$0 |
| Licenses and permits | 0 | 0 | 3,000 | 0 |
| Intergovernmental revenues | 0 | 0 | 735,087 | 1,503,805 |
| Charges for services | 0 | 0 | 47,828 | 53,028 |
| Other revenues | 6,656 | 37,124 | 3,444 | 4,994 |
| Total revenues | 6,656 | 37,124 | 789,359 | 1,561,827 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 424,630 | 0 | 0 | 0 |
| Security of persons and property | 0 | 63,035 | 0 | 0 |
| Physical environment | 0 | 0 | 0 | 0 |
| Transportation | 0 | 0 | 1,307,032 | 0 |
| Economic environment | 0 | 0 | 0 | 0 |
| Culture and recreation | 0 | 0 | 0 | 0 |
| Capital outlay | 0 | 0 | 0 | 1,966,105 |
| Debt Service: | | | | |
| Principal | 0 | 0 | 34,383 | 72,201 |
| Interest | 0 | 0 | 10,707 | 5,924 |
| Total expenditures | 424,630 | 63,035 | 1,352,122 | 2,044,230 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (417,974) | (25,911) | (562,763) | (482,403) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of capital assets | 0 | 14,512 | 37,496 | 0 |
| Transfers in | 365,598 | 0 | 700,000 | 126,949 |
| Transfers out | 0 | 0 | 0 | 0 |
| Total other financing sources (uses) | 365,598 | 14,512 | 737,496 | 126,949 |
| Net change in fund balances | (52,376) | (11,399) | 174,733 | (355,454) |
| Fund balances - beginning | 564,552 | 143,375 | 195,797 | 451,189 |
| FUND BALANCES - ENDING | \$512,176 | \$131,976 | \$370,530 | \$95,735 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(Page 2 of 5)

| | 113 MULTIMODAL TRANSPORTATION FUND | 116 BUILDING MAINTENANCE FUND | 117 MUNICIPAL ARTS ACQUIS. FUND | 118 MEMORIAL TREE FUND |
|--|---|--|--|---|
| REVENUES | | | | |
| Taxes | \$0 | \$0 | \$0 | \$0 |
| Licenses and permits | 0 | 0 | 0 | 0 |
| Intergovernmental revenues | 486,892 | 38,928 | 21,000 | 0 |
| Charges for services | 0 | 0 | 29,066 | 0 |
| Other revenues | 0 | 42,628 | 11,725 | 228 |
| Total revenues | 486,892 | 81,556 | 61,791 | 228 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 0 | 190,512 | 0 | 0 |
| Security of persons and property | 0 | 0 | 0 | 0 |
| Physical environment | 0 | 0 | 0 | 0 |
| Transportation | 470,716 | 0 | 0 | 0 |
| Economic environment | 0 | 0 | 0 | 0 |
| Culture and recreation | 0 | 0 | 52,958 | 0 |
| Capital outlay | 0 | 15,160 | 0 | 0 |
| Debt Service: | | | | |
| Principal | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 |
| Total expenditures | 470,716 | 205,672 | 52,958 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 16,176 | (124,116) | 8,833 | 228 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of capital assets | 0 | 0 | 0 | 0 |
| Transfers in | 0 | 56,600 | 35,347 | 0 |
| Transfers out | (22,395) | 0 | 0 | 0 |
| Total other financing sources (uses) | (22,395) | 56,600 | 35,347 | 0 |
| Net change in fund balances | (6,219) | (67,516) | 44,180 | 228 |
| Fund balances - beginning | 62,394 | 109,551 | 330,367 | 17,342 |
| FUND BALANCES - ENDING | \$56,175 | \$42,035 | \$374,547 | \$17,570 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(Page 3 of 5)

| | 120 HOTEL/ MOTEL TAX FUND | 121 EMPLOYEE PKG PERMIT FUND | 122 YOUTH SCHOLARSHIP FUND | 123 TOURISM PROMOTIONAL/ ARTS FUND | 125 REET 2 FUND |
|--|--|---|---|---|--------------------------------|
| REVENUES | | | | | |
| Taxes | \$70,698 | \$0 | \$0 | \$0 | \$536,729 |
| Licenses and permits | 0 | 25,375 | 0 | 0 | 0 |
| Intergovernmental revenues | 0 | 0 | 0 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 119 | 0 |
| Other revenues | 2,155 | 1,328 | 2,561 | 617 | 64,151 |
| Total revenues | 72,853 | 26,703 | 2,561 | 736 | 600,880 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government services | 0 | 871 | 0 | 0 | 0 |
| Security of persons and property | 0 | 0 | 0 | 0 | 0 |
| Physical environment | 0 | 0 | 0 | 0 | 0 |
| Transportation | 0 | 0 | 0 | 0 | 0 |
| Economic environment | 0 | 0 | 0 | 0 | 0 |
| Culture and recreation | 33,697 | 0 | 4,414 | 16,094 | 293,487 |
| Capital outlay | 0 | 0 | 0 | 0 | 2,591,491 |
| Debt Service: | | | | | |
| Principal | 0 | 0 | 0 | 0 | 0 |
| Interest | 0 | 0 | 0 | 0 | 0 |
| Total expenditures | 33,697 | 871 | 4,414 | 16,094 | 2,884,978 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 39,156 | 25,832 | (1,853) | (15,358) | (2,284,098) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Disposition of capital assets | 0 | 0 | 0 | 0 | 0 |
| Transfers in | 0 | 0 | 0 | 18,005 | 5,350 |
| Transfers out | (22,005) | (22,862) | 0 | 0 | (99,694) |
| Total other financing sources (uses) | (22,005) | (22,862) | 0 | 18,005 | (94,344) |
| Net change in fund balances | 17,151 | 2,970 | (1,853) | 2,647 | (2,378,442) |
| Fund balances - beginning | 170,420 | 90,927 | 19,019 | 48,208 | 3,998,526 |
| FUND BALANCES - ENDING | \$187,571 | \$93,897 | \$17,166 | \$50,855 | \$1,620,084 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(Page 4 of 5)

| | 126 REET 1 PARKS ACQUIS FUND | 127 GIFTS CATALOG FUND | 129 SPECIAL PROJECTS FUND | 130 CEMETARY MAINT/IMPRV FUND | 131 FIRE DONATIONS FUND |
|--|---|---|--|--|--|
| REVENUES | | | | | |
| Taxes | \$536,729 | \$0 | \$0 | \$0 | \$0 |
| Licenses and permits | 0 | 0 | 0 | 0 | 0 |
| Intergovernmental revenues | 0 | 0 | 108,090 | 0 | 0 |
| Charges for services | 0 | 0 | 0 | 114,518 | 0 |
| Other revenues | 12,006 | 30,242 | 3 | 3,482 | 3,057 |
| Total revenues | 548,735 | 30,242 | 108,093 | 118,000 | 3,057 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government services | 607 | 0 | 0 | 0 | 0 |
| Security of persons and property | 0 | 0 | 0 | 0 | 0 |
| Physical environment | 0 | 0 | 0 | 128,877 | 0 |
| Transportation | 0 | 0 | 0 | 0 | 0 |
| Economic environment | 0 | 0 | 0 | 0 | 0 |
| Culture and recreation | 0 | 25,501 | 0 | 0 | 0 |
| Capital outlay | 290,502 | 0 | 110,255 | 0 | 0 |
| Debt Service: | | | | | |
| Principal | 441,095 | 0 | 0 | 0 | 0 |
| Interest | 187,767 | 0 | 0 | 0 | 0 |
| Total expenditures | 919,971 | 25,501 | 110,255 | 128,877 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (371,236) | 4,741 | (2,162) | (10,877) | 3,057 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Disposition of capital assets | 0 | 0 | 0 | 0 | 0 |
| Transfers in | 0 | 0 | 0 | 0 | 0 |
| Transfers out | (72,040) | (5,350) | 0 | 0 | 0 |
| Total other financing sources (uses) | (72,040) | (5,350) | 0 | 0 | 0 |
| Net change in fund balances | (443,276) | (609) | (2,162) | (10,877) | 3,057 |
| Fund balances - beginning | 936,101 | 172,678 | 5,214 | 104,943 | 19,405 |
| FUND BALANCES - ENDING | \$492,825 | \$172,069 | \$3,052 | \$94,066 | \$22,462 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

(Page 5 of 5)

| | 132 PARKS CONST. FUND | 136 PARKS TRUST FUND | 137 CEMETERY MAINTENANCE TRUST FUND | 138 SISTER CITY COMMISSION | TOTAL NONMAJOR SPECIAL REVENUE FUNDS |
|--|--|---|--|---|---|
| REVENUES | | | | | |
| Taxes | \$0 | \$0 | \$0 | \$0 | \$1,144,156 |
| Licenses and permits | 0 | 0 | 0 | 0 | 28,375 |
| Intergovernmental revenues | 28,385 | 0 | 0 | 0 | 2,922,187 |
| Charges for services | 0 | 0 | 12,724 | 0 | 257,283 |
| Other revenues | 2,500 | 56,814 | 9,838 | 16,828 | 312,381 |
| Total revenues | 30,885 | 56,814 | 22,562 | 16,828 | 4,664,382 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government services | 0 | 0 | 0 | 0 | 616,620 |
| Security of persons and property | 0 | 0 | 0 | 0 | 63,035 |
| Physical environment | 0 | 0 | 0 | 0 | 128,877 |
| Transportation | 0 | 0 | 0 | 0 | 1,777,748 |
| Economic environment | 0 | 0 | 0 | 16,696 | 16,696 |
| Culture and recreation | 0 | 0 | 0 | 0 | 426,151 |
| Capital outlay | 18,130 | 0 | 0 | 0 | 4,991,643 |
| Debt Service: | | | | | |
| Principal | 0 | 0 | 0 | 0 | 547,679 |
| Interest | 0 | 0 | 0 | 0 | 204,398 |
| Total expenditures | 18,130 | 0 | 0 | 16,696 | 8,772,847 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 12,755 | 56,814 | 22,562 | 132 | (4,108,465) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Disposition of capital assets | 0 | 0 | 0 | 0 | 52,008 |
| Transfers in | 11,897 | 0 | 0 | 0 | 1,319,746 |
| Transfers out | 0 | (58,480) | 0 | 0 | (302,826) |
| Total other financing sources (uses) | 11,897 | (58,480) | 0 | 0 | 1,068,928 |
| Net change in fund balances | 24,652 | (1,666) | 22,562 | 132 | (3,039,537) |
| Fund balances - beginning | (645) | 145,946 | 743,504 | 11,049 | 8,339,862 |
| FUND BALANCES - ENDING | \$24,007 | \$144,280 | \$766,066 | \$11,181 | \$5,300,325 |

DEBT SERVICE FUNDS DESCRIPTION

Debt Service Funds are used to account for the payment of principal and interest on Special Assessment Bonds. Special assessments against specific parcels of real property provide the funding source to retire Special Assessment Bonds. Costs of the street, sidewalk improvements, or utility services projects are estimated and property owners are assessed their proportionate share on the basis of cost per linear foot as required by state law. Interest is charged on the unpaid assessment at rates of one-half percent higher than those on the related bonds for the purpose of paying costs of handling.

211 L.I.D. Fund Control Fund – fund collects special assessments levied against benefited properties for payment of principal and interest for special assessment bond issues.

213 L.I.D. Guaranty Fund – established for the protection of the Local Improvement District bondholders. If the City is unable to pay debt service because of insufficient special assessment collections, the bond payments will be made from this fund.

234 Limited Tax G.O. Bond Fund – established for payment of principal and interest on the 2002 LTGO bond issue.



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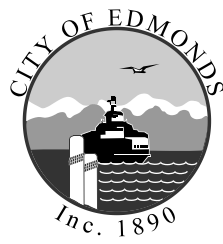
**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2009**

| | 211 L.I.D. FUND CONTROL FUND | 213 L.I.D. GUARANTY FUND | 234 LIMITED TAX G.O. BOND FUND | TOTAL NONMAJOR DEBT SERVICE FUNDS |
|--|---|---|---|--|
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | \$6,453 | \$50,233 | \$0 | \$56,686 |
| Receivables, net | | | | |
| Assessments | 33,766 | 0 | 0 | 33,766 |
| Total Current Assets | 40,219 | 50,233 | 0 | 90,452 |
| RESTRICTED ASSETS | | | | |
| Special assessments - deferred | 267,726 | 0 | 0 | 267,726 |
| Total Restricted Assets | 267,726 | 0 | 0 | 267,726 |
| TOTAL ASSETS | \$307,945 | \$50,233 | \$0 | \$358,178 |
| LIABILITIES AND FUND BALANCES | | | | |
| NONCURRENT LIABILITIES | | | | |
| Deferred revenues | 301,608 | 0 | 0 | 301,608 |
| Total Noncurrent Liabilities | 301,608 | 0 | 0 | 301,608 |
| TOTAL LIABILITIES | 301,608 | 0 | 0 | 301,608 |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Debt service | 6,337 | 50,233 | 0 | 56,570 |
| TOTAL FUND BALANCES | 6,337 | 50,233 | 0 | 56,570 |
| TOTAL LIABILITIES AND FUND BALANCES | \$307,945 | \$50,233 | \$0 | \$358,178 |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | 211 L.I.D. FUND CONTROL FUND | 213 L.I.D. GUARANTY FUND | 234 LIMITED TAX G.O. BOND FUND | TOTAL NONMAJOR DEBT SERVICE FUNDS |
|--|---|---|---|--|
| REVENUES | | | | |
| Other revenues | \$89,147 | \$677 | \$370,557 | \$460,381 |
| Total revenues | 89,147 | 677 | 370,557 | 460,381 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 210 | 0 | 0 | 210 |
| Debt service: | | | | |
| Principal | 100,000 | 0 | 150,000 | 250,000 |
| Interest | 5,750 | 0 | 292,597 | 298,347 |
| Total expenditures | 105,960 | 0 | 442,597 | 548,557 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (16,813) | 677 | (72,040) | (88,176) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 0 | 0 | 72,040 | 72,040 |
| Total other financing sources (uses) | 0 | 0 | 72,040 | 72,040 |
| Net change in fund balances | (16,813) | 677 | 0 | (16,136) |
| Fund balances - beginning | 23,150 | 49,556 | 0 | 72,706 |
| FUND BALANCES - ENDING | \$6,337 | \$50,233 | \$0 | \$56,570 |

BUDGET AND ACTUAL



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**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 009 – LEOFF MEDICAL RESERVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|------------------|--|
| REVENUES | | | | |
| Other revenues | \$11,000 | \$11,000 | \$6,656 | (\$4,344) |
| Total Revenues | 11,000 | 11,000 | 6,656 | (4,344) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 432,055 | 432,055 | 424,630 | 7,425 |
| Total Expenditures | 432,055 | 432,055 | 424,630 | 7,425 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (421,055) | (421,055) | (417,974) | 3,081 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 365,598 | 365,598 | 365,598 | 0 |
| Total other financing sources (uses) | 365,598 | 365,598 | 365,598 | 0 |
| Net changes in fund balances | (55,457) | (55,457) | (52,376) | 3,081 |
| Fund balances - beginning | 574,904 | 574,904 | 564,552 | (10,352) |
| FUND BALANCES - ENDING | \$519,447 | \$519,447 | \$512,176 | (\$7,271) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 104 – DRUG ENFORCEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Other revenues | \$28,500 | \$28,500 | \$37,124 | \$8,624 |
| Total Revenues | 28,500 | 28,500 | 37,124 | 8,624 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Security of persons and property | 72,025 | 72,025 | 63,035 | 8,990 |
| Total Expenditures | 72,025 | 72,025 | 63,035 | 8,990 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (43,525) | (43,525) | (25,911) | 17,614 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of capital assets | 0 | 0 | 14,512 | 14,512 |
| Total other financing sources (uses) | 0 | 0 | 14,512 | 14,512 |
| Net changes in fund balances | (43,525) | (43,525) | (11,399) | 32,126 |
| Fund balances - beginning | 183,806 | 183,806 | 143,375 | (40,431) |
| FUND BALANCES - ENDING | \$140,281 | \$140,281 | \$131,976 | (\$8,305) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 111 – STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Licenses and Permits | \$400 | \$400 | \$3,000 | \$2,600 |
| Intergovernmental revenues | 750,000 | 750,000 | 735,087 | (14,913) |
| Charges for services | 16,174 | 16,174 | 47,828 | 31,654 |
| Other revenues | 3,000 | 3,000 | 3,444 | 444 |
| Total Revenues | 769,574 | 769,574 | 789,359 | 19,785 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 1,435,888 | 1,366,554 | 1,307,032 | 59,522 |
| Capital outlay | 10,595 | 10,595 | 0 | 10,595 |
| Debt service: | | | | |
| Principal retirement | 34,383 | 34,383 | 34,383 | 0 |
| Interest | 10,664 | 10,664 | 10,707 | (43) |
| Total Expenditures | 1,491,530 | 1,422,196 | 1,352,122 | 70,074 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (721,956) | (652,622) | (562,763) | 89,859 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of capital assets | 0 | 30,052 | 37,496 | 7,444 |
| Transfers in | 700,000 | 700,000 | 700,000 | 0 |
| Total other financing sources (uses) | 700,000 | 730,052 | 737,496 | 7,444 |
| Net changes in fund balances | (21,956) | 77,430 | 174,733 | 97,303 |
| Fund balances - beginning | 24,876 | 24,876 | 195,797 | 170,921 |
| Prior Period Adjustment | | | | 0 |
| FUND BALANCES - ENDING | \$2,920 | \$102,306 | \$370,530 | \$268,224 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 112 – STREET CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$1,000,000 | \$2,000,000 | \$1,503,805 | (\$496,195) |
| Charges for services | 80,000 | 80,000 | 53,028 | (26,972) |
| Other revenues | 9,492 | 9,492 | 4,994 | (4,498) |
| Total Revenues | 1,089,492 | 2,089,492 | 1,561,827 | (527,665) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Capital outlay | 1,321,000 | 2,351,000 | 1,966,105 | 384,895 |
| Debt service: | | | | |
| Redemption of Debt Principal | 72,201 | 72,201 | 72,201 | 0 |
| Interest | 5,923 | 5,923 | 5,924 | (1) |
| Total Expenditures | 1,399,124 | 2,429,124 | 2,044,230 | 384,894 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (309,632) | (339,632) | (482,403) | (142,771) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Advances to other funds | | | | |
| Transfers in | 313,458 | 394,458 | 126,949 | (\$267,509) |
| Transfers out | (44,283) | (44,283) | 0 | 44,283 |
| Total other financing sources (uses) | 269,175 | 350,175 | 126,949 | (223,226) |
| Net changes in fund balances | (40,457) | 10,543 | (355,454) | (365,997) |
| Fund balances - beginning | 281,802 | 281,802 | 451,189 | 169,387 |
| FUND BALANCES - ENDING | \$241,345 | \$292,345 | \$95,735 | (\$196,610) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 113 – MULTIMODAL TRANSPORTATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|--------------------|-----------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$3,100,000 | \$3,100,000 | \$486,892 | (\$2,613,108) |
| Total Revenues | 3,100,000 | 3,100,000 | 486,892 | (2,613,108) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Transportation | 2,000,000 | 2,000,000 | 470,716 | 1,529,284 |
| Total Expenditures | 2,000,000 | 2,000,000 | 470,716 | 1,529,284 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 1,100,000 | 1,100,000 | 16,176 | (1,083,824) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Disposition of capital assets | (1,100,000) | (1,100,000) | 0 | 1,100,000 |
| Transfers out | 0 | 0 | (22,395) | (22,395) |
| Total other financing sources (uses) | (1,100,000) | (1,100,000) | (22,395) | 1,077,605 |
| Net changes in fund balances | 0 | 0 | (6,219) | (6,219) |
| Fund balances - beginning | 0 | 0 | 62,394 | 62,394 |
| FUND BALANCES - ENDING | \$0 | \$0 | \$56,175 | \$56,175 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 116 – BUILDING MAINTENANCE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|-----------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$170,000 | \$170,000 | \$38,928 | (\$131,072) |
| Other revenues | 7,481 | 7,481 | 42,628 | 35,147 |
| Total Revenues | 177,481 | 177,481 | 81,556 | (95,925) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 41,700 | 41,700 | 190,512 | (148,812) |
| Capital outlay | 214,300 | 214,300 | 15,160 | 199,140 |
| Total Expenditures | 256,000 | 256,000 | 205,672 | 50,328 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (78,519) | (78,519) | (124,116) | (45,597) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 56,600 | 56,600 | 56,600 | 0 |
| Transfers out | (200) | (200) | 0 | 200 |
| Total other financing sources (uses) | 56,400 | 56,400 | 56,600 | 200 |
| Net changes in fund balances | (22,119) | (22,119) | (67,516) | (45,397) |
| Fund balances - beginning | 249,368 | 249,368 | 109,551 | (139,817) |
| Prior Period Adjustment | | | | 0 |
| FUND BALANCES - ENDING | \$227,249 | \$227,249 | \$42,035 | (\$185,214) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 117 – MUNICIPAL ARTS ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|------------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$0 | \$21,000 | \$21,000 | \$0 |
| Charges for services | 23,200 | 23,200 | 29,066 | 5,866 |
| Other revenues | 16,300 | 16,300 | 11,725 | (4,575) |
| Total Revenues | 39,500 | 60,500 | 61,791 | 1,291 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 102,425 | 102,425 | 52,958 | 49,467 |
| Total Expenditures | 102,425 | 102,425 | 52,958 | 49,467 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (62,925) | (41,925) | 8,833 | 50,758 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 57,550 | 43,550 | 35,347 | (8,203) |
| Transfers out | (3,000) | (3,000) | 0 | 3,000 |
| Total other financing sources (uses) | 54,550 | 40,550 | 35,347 | (5,203) |
| Net changes in fund balances | (8,375) | (1,375) | 44,180 | 45,555 |
| Fund balances - beginning | 316,077 | 330,077 | 330,367 | 290 |
| Prior Period Adjustment | | 0 | 0 | 0 |
| FUND BALANCES - ENDING | \$307,702 | \$328,702 | \$374,547 | \$45,845 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 118 – MEMORIAL TREE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Other revenues | \$400 | \$400 | \$228 | (\$172) |
| Total Revenues | 400 | 400 | 228 | (172) |
| EXPENDITURES | | | | |
| Total Expenditures | 0 | 0 | 0 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 400 | 400 | 228 | (172) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 400 | 400 | 228 | (172) |
| Fund balances - beginning | 17,325 | 17,325 | 17,342 | 17 |
| FUND BALANCES - ENDING | \$17,725 | \$17,725 | \$17,570 | (\$155) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 120 – HOTEL/MOTEL TAX FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Taxes | \$63,530 | \$63,530 | \$70,698 | \$7,168 |
| Other revenues | 4,000 | 4,000 | 2,155 | (1,845) |
| Total Revenues | 67,530 | 67,530 | 72,853 | 5,323 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 55,000 | 55,000 | 33,697 | 21,303 |
| Total Expenditures | 55,000 | 55,000 | 33,697 | 21,303 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 12,530 | 12,530 | 39,156 | 26,626 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (19,883) | (19,883) | (22,005) | (2,122) |
| Total other financing sources (uses) | (19,883) | (19,883) | (22,005) | (2,122) |
| Net changes in fund balances | (7,353) | (7,353) | 17,151 | 24,504 |
| Fund balances - beginning | 126,762 | 126,762 | 170,420 | 43,658 |
| FUND BALANCES - ENDING | \$119,409 | \$119,409 | \$187,571 | \$68,162 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 121 – EMPLOYEE PARKING PERMIT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|-----------------|--|
| REVENUES | | | | |
| Licenses and Permits | \$25,000 | \$25,000 | \$25,375 | \$375 |
| Other revenues | 2,500 | 2,500 | 1,328 | (1,172) |
| Total Revenues | 27,500 | 27,500 | 26,703 | (797) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 1,000 | 1,000 | 871 | 129 |
| Total Expenditures | 1,000 | 1,000 | 871 | 129 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 26,500 | 26,500 | 25,832 | (668) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (22,862) | (22,862) | (22,862) | 0 |
| Total other financing sources (uses) | (22,862) | (22,862) | (22,862) | 0 |
| Net changes in fund balances | 3,638 | 3,638 | 2,970 | (668) |
| Fund balances - beginning | 96,872 | 96,872 | 90,927 | (5,945) |
| FUND BALANCES - ENDING | \$100,510 | \$100,510 | \$93,897 | (\$6,613) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 122 – YOUTH SCHOLARSHIP FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Other revenues | \$3,462 | \$3,462 | \$2,561 | (\$901) |
| Total Revenues | 3,462 | 3,462 | 2,561 | (901) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 3,400 | 5,000 | 4,414 | 586 |
| Total Expenditures | 3,400 | 5,000 | 4,414 | 586 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 62 | (1,538) | (1,853) | (315) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 62 | (1,538) | (1,853) | (315) |
| Fund balances - beginning | 18,494 | 18,494 | 19,019 | 525 |
| FUND BALANCES - ENDING | \$18,556 | \$16,956 | \$17,166 | \$210 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 123 – TOURISM/PROMOTIONAL ARTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Charges for services | \$200 | \$200 | \$119 | (\$81) |
| Other revenues | 1,400 | 1,400 | 617 | (783) |
| Total Revenues | 1,600 | 1,600 | 736 | (864) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 22,100 | 22,100 | 16,094 | 6,006 |
| Total Expenditures | 22,100 | 22,100 | 16,094 | 6,006 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (20,500) | (20,500) | (15,358) | 5,142 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 15,883 | 15,883 | 18,005 | 2,122 |
| Total other financing sources (uses) | 15,883 | 15,883 | 18,005 | 2,122 |
| Net changes in fund balances | (4,617) | (4,617) | 2,647 | 7,264 |
| Fund balances - beginning | 36,869 | 36,869 | 48,208 | 11,339 |
| FUND BALANCES - ENDING | \$32,252 | \$32,252 | \$50,855 | \$18,603 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 125 – REAL ESTATE EXCISE TAX (REET) 2 FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|--------------------|--------------------|--|
| REVENUES | | | | |
| Taxes | \$750,000 | \$350,000 | \$536,729 | \$186,729 |
| Other revenues | 135,535 | 135,535 | 64,151 | (71,384) |
| Total Revenues | 885,535 | 485,535 | 600,880 | 115,345 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 522,000 | 522,000 | 293,487 | 228,513 |
| Capital outlay | 3,695,000 | 3,695,000 | 2,591,491 | 1,103,509 |
| Total Expenditures | 4,217,000 | 4,217,000 | 2,884,978 | 1,332,022 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (3,331,465) | (3,731,465) | (2,284,098) | 1,447,367 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 0 | 5,350 | 5,350 | 5,350 |
| Transfers out | (341,175) | (327,175) | (99,694) | 227,481 |
| Total other financing sources (uses) | (341,175) | (321,825) | (94,344) | 232,831 |
| Net changes in fund balances | (3,672,640) | (4,053,290) | (2,378,442) | 1,680,198 |
| Fund balances - beginning | 4,517,803 | 4,503,803 | 3,998,526 | (505,277) |
| FUND BALANCES - ENDING | \$845,163 | \$450,513 | \$1,620,084 | \$1,174,921 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 126 – REAL ESTATE EXCISE TAX (REET) 1 PARK ACQUISITION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Taxes | \$750,000 | \$350,000 | \$536,729 | \$186,729 |
| Other revenues | 19,714 | 19,714 | 12,006 | (7,708) |
| Total Revenues | 769,714 | 369,714 | 548,735 | 179,021 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government services | 5,000 | 5,000 | 607 | 4,393 |
| Capital outlay | 250,000 | 250,000 | 290,502 | (40,502) |
| Debt service: | | | | |
| Principal retirement | 441,095 | 441,095 | 441,095 | 0 |
| Interest | 187,915 | 187,915 | 187,767 | 148 |
| Total Expenditures | 884,010 | 884,010 | 919,971 | (35,961) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (114,296) | (514,296) | (371,236) | 143,060 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (72,062) | (72,062) | (72,040) | 22 |
| Total other financing sources (uses) | (72,062) | (72,062) | (72,040) | 22 |
| Net changes in fund balances | (186,358) | (586,358) | (443,276) | 143,082 |
| Fund balances - beginning | 657,147 | 657,147 | 936,101 | 278,954 |
| FUND BALANCES - ENDING | \$470,789 | \$70,789 | \$492,825 | \$422,036 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 127 – GIFTS CATALOG FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Other revenues | \$24,504 | \$24,504 | \$30,242 | 5,738 |
| Total Revenues | 24,504 | 24,504 | 30,242 | 5,738 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation | 21,000 | 43,192 | 25,501 | 17,691 |
| Total Expenditures | 21,000 | 43,192 | 25,501 | 17,691 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,504 | (18,688) | 4,741 | 23,429 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | 0 | (5,350) | (5,350) | 0 |
| Total other financing sources (uses) | 0 | (5,350) | (5,350) | 0 |
| Net changes in fund balances | 3,504 | (24,038) | (609) | 23,429 |
| Fund balances - beginning | 154,996 | 177,188 | 172,678 | (4,510) |
| FUND BALANCES - ENDING | \$158,500 | \$153,150 | \$172,069 | \$18,919 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 129 – SPECIAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|----------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$0 | \$0 | \$108,090 | \$108,090 |
| Other revenues | 0 | 0 | 3 | 3 |
| Total Revenues | 0 | 0 | 108,093 | 108,093 |
| EXPENDITURES | | | | |
| Capital outlay | 0 | 0 | 110,255 | (110,255) |
| Total Expenditures | 0 | 0 | 110,255 | (110,255) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 0 | 0 | (2,162) | (2,162) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 0 | 0 | (2,162) | (2,162) |
| Fund balances - beginning | 0 | 0 | 5,214 | 5,214 |
| FUND BALANCES - ENDING | \$0 | \$0 | \$3,052 | \$3,052 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 130 – CEMETERY MAINTENANCE/IMPROVEMENT FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|-----------------|--|
| REVENUES | | | | |
| Charges for services | \$168,767 | \$168,767 | \$114,518 | (\$54,249) |
| Other revenues | 11,000 | 11,000 | 3,482 | (7,518) |
| Total Revenues | 179,767 | 179,767 | 118,000 | (61,767) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Physical environment | 145,074 | 141,103 | 128,877 | 12,226 |
| Total Expenditures | 145,074 | 141,103 | 128,877 | 12,226 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 34,693 | 38,664 | (10,877) | (49,541) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 34,693 | 38,664 | (10,877) | (49,541) |
| Fund balances - beginning | 96,669 | 96,669 | 104,943 | 8,274 |
| FUND BALANCES - ENDING | \$131,362 | \$135,333 | \$94,066 | (\$41,267) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 131 – FIRE DONATIONS FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Other revenues | \$2,800 | \$2,800 | \$3,057 | \$257 |
| Total Revenues | 2,800 | 2,800 | 3,057 | 257 |
| EXPENDITURES | | | | |
| Total Expenditures | 0 | 0 | 0 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,800 | 2,800 | 3,057 | 257 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 2,800 | 2,800 | 3,057 | 257 |
| Fund balances - beginning | 0 | 0 | 19,405 | 19,405 |
| FUND BALANCES - ENDING | \$2,800 | \$2,800 | \$22,462 | \$19,662 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 132 – PARK CONSTRUCTION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|-----------------|--|
| REVENUES | | | | |
| Intergovernmental revenues | \$0 | \$0 | \$28,385 | \$28,385 |
| Other revenues | 0 | 0 | 2,500 | 2,500 |
| Total Revenues | 0 | 0 | 30,885 | 30,885 |
| EXPENDITURES | | | | |
| Capital outlay | 232,650 | 232,650 | 18,130 | 214,520 |
| Total Expenditures | 232,650 | 232,650 | 18,130 | 214,520 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (232,650) | (232,650) | 12,755 | 245,405 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 235,000 | 235,000 | 11,897 | (223,103) |
| Transfers out | (2,350) | (2,350) | 0 | 2,350 |
| Total other financing sources (uses) | 232,650 | 232,650 | 11,897 | (220,753) |
| Net changes in fund balances | 0 | 0 | 24,652 | 24,652 |
| Fund balances - beginning | 0 | 0 | (645) | (645) |
| FUND BALANCES - ENDING | \$0 | \$0 | \$24,007 | \$24,007 |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 136 – PARK TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Other revenues | \$3,650 | \$57,045 | \$56,814 | (\$231) |
| Total Revenues | 3,650 | 57,045 | 56,814 | (231) |
| EXPENDITURES | | | | |
| Total Expenditures | 0 | 0 | 0 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 3,650 | 57,045 | 56,814 | (231) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | 0 | (58,480) | (58,480) | 0 |
| Total other financing sources (uses) | 0 | (58,480) | (58,480) | 0 |
| Net changes in fund balances | 3,650 | (1,435) | (1,666) | (231) |
| Fund balances - beginning | 145,823 | 145,823 | 145,946 | 123 |
| FUND BALANCES - ENDING | \$149,473 | \$144,388 | \$144,280 | (\$108) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 137 – CEMETERY MAINTENANCE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|------------------|------------------|--|
| REVENUES | | | | |
| Charges for services | \$17,223 | \$17,223 | \$12,724 | (\$4,499) |
| Other revenues | 14,000 | 14,000 | 9,838 | (4,162) |
| Total Revenues | 31,223 | 31,223 | 22,562 | (8,661) |
| EXPENDITURES | | | | |
| Total Expenditures | 0 | 0 | 0 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 31,223 | 31,223 | 22,562 | (8,661) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 31,223 | 31,223 | 22,562 | (8,661) |
| Fund balances - beginning | 739,389 | 739,389 | 743,504 | 4,115 |
| FUND BALANCES - ENDING | \$770,612 | \$770,612 | \$766,066 | (\$4,546) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 138 – SISTER CITY COMMISSION FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|-----------------|--|
| REVENUES | | | | |
| Other revenues | \$21,400 | \$21,400 | \$16,828 | (\$4,572) |
| Total Revenues | 21,400 | 21,400 | 16,828 | (4,572) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic environment | 21,000 | 21,000 | 16,696 | 4,304 |
| Total Expenditures | 21,000 | 21,000 | 16,696 | 4,304 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 400 | 400 | 132 | (268) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net changes in fund balances | 400 | 400 | 132 | (268) |
| Fund balances - beginning | 17,318 | 17,318 | 11,049 | (6,269) |
| FUND BALANCES - ENDING | \$17,718 | \$17,718 | \$11,181 | (\$6,537) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 211 – LID FUND CONTROL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

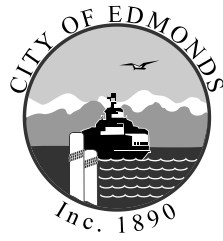
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|----------------|---|
| REVENUES | | | | |
| Other Revenues | \$108,000 | \$108,000 | \$89,147 | (\$18,853) |
| Total Revenues | 108,000 | 108,000 | 89,147 | (18,853) |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government Services | 300 | 300 | 210 | 90 |
| Debt Service: | | | | |
| Principal | 90,000 | 90,000 | 100,000 | (10,000) |
| Interest | 5,175 | 5,175 | 5,750 | (575) |
| Total Expenditures | 95,475 | 95,475 | 105,960 | (10,485) |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 12,525 | 12,525 | (16,813) | (29,338) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net change in fund balances | 12,525 | 12,525 | (16,813) | (29,338) |
| Fund Balances - beginning | 9,458 | 9,458 | 23,150 | 13,692 |
| FUND BALANCES - ENDING | \$21,983 | \$21,983 | \$6,337 | (\$15,646) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 213 – LID GUARANTY FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|----------------------------|-------------------------|-----------------|--|
| REVENUES | | | | |
| Other Revenues | \$2,000 | \$2,000 | \$677 | (\$1,323) |
| Total Revenues | 2,000 | 2,000 | 677 | (1,323) |
| EXPENDITURES | | | | |
| Total Expenditures | 0 | 0 | 0 | 0 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | 2,000 | 2,000 | 677 | (1,323) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Total other financing sources (uses) | 0 | 0 | 0 | 0 |
| Net change in fund balances | 2,000 | 2,000 | 677 | (1,323) |
| Fund Balances - beginning | 49,416 | 49,416 | 49,556 | 140 |
| FUND BALANCES - ENDING | \$51,416 | \$51,416 | \$50,233 | (\$1,183) |

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET TO ACTUAL
FUND 234 – LIMITED TAX GENERAL OBLIGATION BOND FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE WITH FINAL BUDGET POSITIVE/ (NEGATIVE) |
|--|--------------------|-----------------|----------------|---|
| REVENUES | | | | |
| Other revenues | \$370,536 | \$370,536 | \$370,557 | \$21 |
| TOTAL REVENUES | 370,536 | 370,536 | 370,557 | 21 |
| EXPENDITURES | | | | |
| Debt service: | | | | |
| Principal | 150,000 | 150,000 | 150,000 | 0 |
| Interest | 292,598 | 292,598 | 292,597 | 1 |
| TOTAL EXPENDITURES | 442,598 | 442,598 | 442,597 | 1 |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | (72,062) | (72,062) | (72,040) | 22 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 72,062 | 72,062 | 72,040 | (22) |
| Total other financing sources (uses) | 72,062 | 72,062 | 72,040 | (22) |
| Net change in fund balances | 0 | 0 | 0 | 0 |
| Fund Balances - beginning | 0 | 0 | 0 | 0 |
| FUND BALANCES - ENDING | \$0 | \$0 | \$0 | \$0 |



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FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or funds.

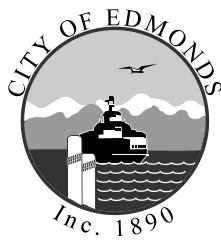
811 Payroll Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

812 Claims Clearing Fund - accounts for receipt and disbursement of monies to a variety of other funds, governmental units, or private parties.

825 All Funds Investment Fund – accounts for investments of monies to a variety of other funds, governmental units, or private parties.

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | BALANCE JANUARY 1, 2009 | ADDITIONS | DEDUCTIONS | BALANCE DECEMBER 31, 2009 |
|--|-------------------------------|----------------------|----------------------|---------------------------------|
| <u>FUND 811 - PAYROLL CLEARING</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$0 | \$29,719,362 | \$29,719,362 | \$0 |
| TOTAL ASSETS | \$0 | \$29,719,362 | \$29,719,362 | \$0 |
| LIABILITIES | | | | |
| Wages Payable | \$0 | \$29,632,400 | \$29,632,400 | \$0 |
| Accounts payable | 0 | 6,637,193 | 6,637,193 | 0 |
| TOTAL LIABILITIES | \$0 | \$36,269,593 | \$36,269,593 | \$0 |
| <u>FUND 812 - CLAIMS CLEARING</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$0 | \$32,354,118 | \$32,354,118 | \$0 |
| TOTAL ASSETS | \$0 | \$32,354,118 | \$32,354,118 | \$0 |
| LIABILITIES | | | | |
| Accounts payable | \$0 | \$32,354,118 | \$32,354,118 | \$0 |
| TOTAL LIABILITIES | \$0 | \$32,354,118 | \$32,354,118 | \$0 |
| <u>FUND 825 - INVESTMENT CLEARING</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$0 | \$120,875,489 | \$120,875,489 | \$0 |
| Investments | 0 | 6,171,298 | 6,171,298 | 0 |
| TOTAL ASSETS | \$0 | \$127,046,787 | \$127,046,787 | \$0 |
| LIABILITIES | | | | |
| Accounts payable | \$0 | \$0 | \$0 | \$0 |
| TOTAL LIABILITIES | \$0 | \$0 | \$0 | \$0 |
| <u>TOTAL AGENCY FUNDS</u> | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | \$0 | \$182,948,969 | \$182,948,969 | \$0 |
| Investments | 0 | 6,171,298 | 6,171,298 | 0 |
| TOTAL ASSETS | \$0 | \$189,120,267 | \$189,120,267 | \$0 |
| LIABILITIES | | | | |
| Wages payable | \$0 | \$29,632,400 | \$29,632,400 | \$0 |
| Accounts payable | 0 | 38,991,311 | 38,991,311 | 0 |
| TOTAL LIABILITIES | \$0 | \$68,623,711 | \$68,623,711 | \$0 |



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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information is unaudited.

Contents

Financial Trends

These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in historical perspective.

Revenue Capacity

These tables contain information that may assist the reader in assessing the viability of the City's most significant "own-source" revenue source, property taxes.

Debt Capacity

These tables present information that may assist the reader in analyzing the affordability of the County's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These tables present demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the City operates and (2) to provide information that facilitates comparisons of financial statement information over time and among cities.

Operating Information

These tables contain service and infrastructure indicators that can inform one's understanding how the information in the City's financial statements relates to the services the City provides and the activities it performs.

Data Source:

Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the applicable year. The City implemented GASB Statement No. 34 in fiscal year 2003, therefore tables presenting government-wide financial data include only six years of information.

GOVERNMENT WIDE NET ASSETS BY COMPONENT
Last Seven Fiscal Years

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|---------------|---------------|---------------|----------------|----------------|----------------|----------------|
| Governmental Activities | | | | | | | |
| Invested in capital assets, net of related debt ³ | \$ 1,777,861 | \$ 15,661,061 | \$ 18,521,057 | \$ 51,166,559 | \$54,021,806 | \$57,252,149 | \$51,991,258 |
| Restricted | 11,119,246 | 5,804,684 | 6,749,421 | 6,717,794 | 7,490,300 | 5,546,803 | 2,658,658 |
| Unrestricted | 17,883,400 | 13,175,522 | 15,503,551 | 11,724,719 | 11,895,851 | 9,838,608 | 19,805,844 |
| Total governmental activities net assets | \$ 30,780,507 | \$ 34,641,267 | \$ 40,774,029 | \$ 69,609,072 | \$ 73,407,957 | \$ 72,637,560 | \$ 74,455,760 |
| Business-type Activities | | | | | | | |
| Invested in capital assets, net of related debt | \$ 38,375,525 | \$ 41,657,416 | \$ 44,910,309 | \$ 47,924,210 | \$ 49,910,564 | \$ 49,753,793 | \$ 51,208,429 |
| Restricted | 4,326,736 | 910,598 | 699,701 | 686,847 | 2,786,695 | 1,269,595 | 699,670 |
| Unrestricted | 10,955,342 | 12,329,203 | 12,047,828 | 10,764,229 | 7,712,290 | 9,768,990 | 10,183,230 |
| Total business-type activities net assets | \$ 53,657,603 | \$ 54,897,217 | \$ 57,657,838 | \$ 59,375,286 | \$ 60,409,549 | \$ 60,792,378 | \$ 62,091,329 |
| Primary Government | | | | | | | |
| Invested in capital assets, net of related debt | \$ 40,153,386 | \$ 57,318,477 | \$ 63,431,366 | \$ 99,090,769 | \$ 103,932,370 | \$ 107,005,942 | \$ 103,199,687 |
| Restricted | 15,445,982 | 6,715,282 | 7,449,122 | 7,404,641 | 10,276,995 | 6,816,398 | 3,358,328 |
| Unrestricted | 28,838,742 | 25,504,725 | 27,551,379 | 22,488,948 | 19,608,141 | 19,607,598 | 29,989,074 |
| Total primary government net assets | \$ 84,438,110 | \$ 89,538,484 | \$ 98,431,867 | \$ 128,984,358 | \$ 133,817,506 | \$ 133,429,938 | \$ 136,547,089 |

Notes:

Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Washington or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City. There are no restrictions currently reported as a result of enabling legislation.

The City implemented GASB Statement No. 34 in fiscal year 2003, therefore, only seven years of government-wide financial data is presented.

The increase in "invested in capital assets, net of related debt" from fiscal years 2005 - 2006 relates to the retrospective reporting of infrastructure assets in governmental activities, as required by GASB Statement No. 34.

Source: Prior years published Comprehensive Annual Financial Reports.

CHANGE IN NET ASSETS – GOVERNMENT WIDE

Last Seven Fiscal Years

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Expenses: | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 8,446,718 | \$ 6,053,881 | \$ 6,105,305 | \$6,178,971 | \$6,748,067 | \$7,695,483 | 6,867,604 |
| Judicial | - | - | 538,956 | 767,221 | 756,649 | 846,130 | 880,919 |
| Public safety | 15,727,734 | 15,184,024 | 15,268,262 | 17,021,180 | 16,765,814 | 18,049,555 | 17,823,468 |
| Physical environment | 1,975,296 | 1,844,923 | 1,664,723 | 1,866,080 | 1,697,734 | 1,870,405 | 1,150,200 |
| Economic environment | 574,557 | 880,137 | 1,027,373 | 1,169,306 | 1,088,773 | 1,120,777 | 1,830,100 |
| Mental and physical health | 101,257 | 8,468 | 9,082 | 8,562 | 7,237 | 9,291 | 12,147 |
| Culture and recreation | 2,887,460 | 3,108,916 | 3,648,189 | 5,822,424 | 3,393,130 | 3,976,440 | 4,246,268 |
| Transportation | 525,077 | 754,092 | 1,038,406 | 1,283,183 | 3,019,710 | 1,812,089 | 3,751,956 |
| Interest and fiscal charges | 1,208,012 | 1,078,106 | 666,094 | 531,869 | 512,154 | 492,082 | 470,398 |
| Total governmental activities expenses | 31,446,111 | 28,912,547 | 29,966,390 | 34,648,796 | 33,989,268 | 35,872,252 | 37,033,060 |
| Business-type activities | | | | | | | |
| Utility Operations | 10,609,568 | 11,346,771 | 11,114,516 | 11,528,591 | 12,423,508 | 13,210,002 | 13,890,882 |
| Total business-type activities expenses | 10,609,568 | 11,346,771 | 11,114,516 | 11,528,591 | 12,423,508 | 13,210,002 | 13,890,882 |
| Program Revenues: | | | | | | | |
| Governmental activities | | | | | | | |
| Charges for services: | | | | | | | |
| General government | 3,099,891 | 2,439,152 | 2,211,982 | \$2,324,217 | \$2,600,612 | \$2,668,773 | 2,990,744 |
| Public safety | 3,473,896 | 3,290,851 | 1,444,264 | 1,237,307 | 1,034,060 | 1,121,939 | 650,257 |
| Other | 1,382,313 | 1,593,855 | 3,530,613 | 3,543,577 | 3,631,674 | 3,066,634 | 4,450,276 |
| Operating grants and contributions | 784,940 | 241,045 | 107,445 | 597,047 | 297,549 | 163,438 | 416,086 |
| Capital grants and contributions | 590,001 | 454,700 | 2,145,854 | 3,046,262 | 1,126,513 | 1,138,795 | 1,940,900 |
| Total governmental activities program revenue | 9,331,041 | 8,019,603 | 9,440,158 | 10,748,410 | 8,690,408 | 8,159,579 | 10,448,263 |
| Business-type activities | | | | | | | |
| Charges for services | 11,398,816 | 11,334,141 | 12,553,652 | 12,644,769 | 12,754,577 | 13,030,325 | 14,275,275 |
| Operating grants and contributions | 40,199 | 47,067 | 37,898 | 44,350 | 54,116 | 47,654 | 88,983 |
| Capital grants and contributions | 496,713 | 677,797 | 775,691 | 512,527 | 490,709 | 610,910 | 688,796 |
| Total business-type activities program revenues | 11,935,728 | 12,059,005 | 13,367,241 | 13,201,646 | 13,299,402 | 13,688,889 | 15,053,054 |
| Net (Expense) Revenue | | | | | | | |
| Governmental activities | (22,115,070) | (20,892,944) | (20,526,232) | (23,900,386) | (25,298,860) | (27,712,673) | (26,584,797) |
| Business-type activities | 1,326,160 | 712,234 | 2,252,725 | 1,673,055 | 875,894 | 478,887 | 1,162,172 |
| Total primary government net expense | (20,788,910) | (20,180,710) | (18,273,507) | (22,227,331) | (24,422,966) | (27,233,786) | (25,422,625) |
| General Revenues: | | | | | | | |
| Governmental activities | | | | | | | |
| Taxes: | | | | | | | |
| Property | 10,623,848 | 10,922,324 | 11,058,167 | 11,497,708 | 11,988,296 | 12,256,542 | 13,908,042 |
| Sales | 4,832,004 | 5,029,012 | 5,423,994 | 5,835,031 | 6,216,836 | 5,448,281 | 4,952,898 |
| Utility | 3,677,778 | 3,777,845 | 3,986,062 | 4,228,565 | 4,501,056 | 4,843,225 | 6,081,071 |
| Other | 3,107,503 | 3,589,917 | 4,344,893 | 4,570,863 | 4,598,407 | 3,120,595 | 3,184,300 |
| Investment earnings | 393,856 | 363,449 | 522,367 | 841,684 | 851,162 | 380,181 | 151,198 |
| Gain on sale of capital assets | 299,056 | 64,681 | 273,700 | 195,896 | 62,225 | 101,999 | 167,538 |
| Miscellaneous | 357,866 | 443,631 | 323,749 | 380,466 | 392,152 | 534,866 | (42,050) |
| Transfers | 105,285 | 100,814 | 157,755 | 157,671 | 487,611 | 404,562 | - |
| Total governmental activities general revenues | 23,397,196 | 24,291,673 | 26,090,687 | 27,707,884 | 29,097,745 | 27,090,251 | 28,402,997 |
| Business-type activities | | | | | | | |
| Investment earnings | 381,901 | 217,131 | 324,668 | 516,611 | 645,980 | 280,710 | 136,348 |
| Miscellaneous | - | - | 16,584 | 24,792 | - | - | - |
| Gain on sale of capital assets | - | - | - | - | - | - | 431 |
| Transfers | (105,285) | (101,112) | (157,755) | (157,671) | (487,611) | (404,562) | - |
| Total business-type activities general revenues | 276,616 | 116,019 | 183,497 | 383,732 | 158,369 | (123,852) | 136,779 |
| Total primary government | 23,673,812 | 24,407,692 | 26,274,184 | 28,091,616 | 29,256,114 | 26,966,399 | 28,539,776 |
| Change in Net Assets | | | | | | | |
| Governmental activities | 1,282,126 | 3,398,729 | 5,564,455 | 3,807,498 | 3,798,885 | (622,422) | 1,818,200 |
| Business-type activities | 1,602,776 | 828,253 | 2,436,222 | 2,056,787 | 1,034,263 | 355,035 | 1,298,951 |
| Total primary government | \$ 2,884,902 | \$ 4,226,982 | \$ 8,000,677 | \$ 5,864,285 | \$ 4,833,148 | \$ (267,387) | \$ 3,117,151 |

Notes: The City implemented GASB 34 in fiscal year 2003, therefore only six years of data is presented.

Source: Prior years published Comprehensive Annual Financial Reports.

SELECTED TAX REVENUES BY SOURCE – GOVERNMENTAL FUNDS
Last Ten Fiscal Years

| Fiscal Year | Property | Sales & Use | Utility | Lodging | Excise | Other¹ | Total |
|------------------------|-----------------|----------------------------|----------------|----------------|---------------|--------------------------|--------------|
| 2000 | 9,246,558 | 4,773,265 | 2,855,273 | 66,581 | 1,265,203 | 395,298 | 18,602,178 |
| 2001 | 9,606,327 | 4,737,766 | 3,228,422 | 65,791 | 1,406,242 | 361,149 | 19,405,698 |
| 2002 | 9,862,866 | 4,672,049 | 3,365,974 | 55,839 | 1,490,149 | 359,823 | 19,806,700 |
| 2003 | 10,255,691 | 4,840,940 | 3,505,244 | 54,619 | 1,596,227 | 240,036 | 20,492,758 |
| 2004 | 10,940,440 | 5,038,596 | 3,768,262 | 61,385 | 2,042,072 | 229,023 | 22,079,778 |
| 2005 | 11,146,094 | 5,433,086 | 3,976,971 | 66,502 | 2,744,083 | 236,469 | 23,603,205 |
| 2006 | 11,491,162 | 5,854,152 | 4,209,444 | 75,077 | 2,868,297 | 264,679 | 24,762,811 |
| 2007 | 12,008,487 | 6,232,946 | 4,484,946 | 82,907 | 2,772,278 | 284,081 | 25,865,645 |
| 2008 | 12,256,542 | 5,448,281 | 4,843,225 | 86,119 | 1,764,121 | 349,094 | 24,747,382 |
| 2009 | 13,908,042 | 4,952,898 | 6,081,071 | 70,698 | 1,515,433 | 340,909 | 26,869,051 |
| Percentage Change | | | | | | | |
| In Dollars Over | | | | | | | |
| 10 Years | 50.4% | 3.8% | 113.0% | 6.2% | 19.8% | -13.8% | 44.4% |

Notes:¹ Includes leasehold excise tax, pull tabs, bingo, and amusement games tax² 2008 and 2009 figures are taken from Statement of Activities government wide statements**Source:** Prior years published Comprehensive Annual Financial Reports.

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 1 of 2

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | |
| Reserved | \$ 15,652 | \$ - | \$ - | \$ 129,423 | \$ - |
| Unreserved | 6,328,821 | 5,075,385 | 5,592,524 | 6,293,691 | 7,647,155 |
| Subtotal General Fund | 6,344,473 | 5,075,385 | 5,592,524 | 6,423,114 | 7,647,155 |
| General Fund Percentage Change | 10.8% | -20.0% | 10.2% | 14.9% | 19.1% |
| All Other Governmental Funds | | | | | |
| Reserved | 511,368 | 810,220 | 647,503 | 704,933 | 323,711 |
| Unreserved | | | | | |
| Special Revenue Funds | 6,695,118 | 8,205,084 | 7,197,588 | 3,769,929 | 8,306,278 |
| Capital Projects Funds | 2,435,613 | 4,980,849 | 2,899,853 | 3,614,307 | 167,769 |
| Subtotal All Other Governmental Funds | 9,642,099 | 13,996,153 | 10,744,944 | 8,089,169 | 8,797,758 |
| Total Governmental Funds | | | | | |
| Reserved | 527,020 | 810,220 | 647,503 | 834,356 | 323,711 |
| Unreserved | 15,459,552 | 18,261,318 | 15,689,965 | 13,677,927 | 16,121,202 |
| Total Governmental Funds | \$ 15,986,572 | \$ 19,071,538 | \$ 16,337,468 | \$ 14,512,283 | \$ 16,444,913 |
| All Governmental Funds Percentage Change | 7.6% | 19.3% | -14.3% | -11.2% | 13.3% |

Source: Prior years published Comprehensive Annual Financial Reports.

FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

| 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|---------------|---------------|---------------|---------------|
| \$ - | \$ - | \$ - | \$ - | \$ - |
| 7,982,694 | 8,089,403 | 7,737,979 | 5,188,520 | 6,068,906 |
| 7,982,694 | 8,089,403 | 7,737,979 | 5,188,520 | 6,068,906 |
| 4.4% | 1.3% | -4.3% | -32.9% | 17.0% |
| 152,745 | 276,376 | 165,337 | 72,706 | 56,570 |
| 10,654,716 | 8,696,973 | 10,474,212 | 8,339,862 | 5,300,325 |
| - | - | - | - | - |
| 10,807,461 | 8,973,349 | 10,639,549 | 8,412,568 | 5,356,895 |
| 152,745 | 276,376 | 165,337 | 72,706 | 56,570 |
| 18,637,410 | 16,786,376 | 18,212,191 | 13,528,382 | 11,369,231 |
| \$ 18,790,155 | \$ 17,062,752 | \$ 18,377,528 | \$ 13,601,088 | \$ 11,425,801 |
| 14.3% | -9.2% | 7.7% | -26.0% | -16.0% |

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 1 of 2

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|----------------------|----------------------|-----------------------|-----------------------|----------------------|
| Revenues: | | | | | |
| Taxes | \$ 18,602,178 | \$ 19,120,571 | \$ 19,806,699 | \$ 20,492,758 | \$ 22,079,776 |
| Licenses and permits | 1,118,165 | 982,176 | 1,001,635 | 1,105,109 | 1,512,968 |
| Intergovernmental | 3,417,691 | 5,432,608 | 3,993,510 | 4,355,014 | 3,391,452 |
| Charges for services | 2,396,435 | 2,467,181 | 2,650,359 | 2,871,571 | 3,355,377 |
| Fines and forfeitures | 636,048 | 605,263 | 434,170 | 536,555 | 513,611 |
| Other revenue | 1,503,773 | 2,539,404 | 2,098,613 | 1,575,037 | 1,283,911 |
| Total revenues | \$ 27,674,290 | \$ 31,147,203 | \$ 29,984,986 | \$ 30,936,044 | \$ 32,137,095 |
| Expenditures: | | | | | |
| General government | 4,705,542 | 5,752,749 | 5,927,313 | 5,744,297 | 5,724,465 |
| Security of persons and property | 10,768,745 | 11,694,882 | 12,227,213 | 12,786,639 | 14,418,558 |
| Physical environment | 861,700 | 923,307 | 934,018 | 871,693 | 1,040,113 |
| Transportation | 1,060,441 | 1,294,678 | 1,231,487 | 1,487,633 | 1,266,838 |
| Economic environment | 750,636 | 789,693 | 784,183 | 523,049 | 877,816 |
| Mental and physical health | 722,039 | 732,871 | 979,639 | 955,094 | 8,468 |
| Culture and recreation | 3,337,716 | 3,452,410 | 2,508,228 | 2,576,330 | 2,626,855 |
| Capital outlay | 5,312,987 | 6,202,322 | 4,202,261 | 5,703,817 | 1,548,070 |
| Debt service: | | | | | |
| Principal retirement | 1,867,383 | 4,415,444 | 2,441,931 | 3,077,032 | 1,894,713 |
| Interest and fiscal charges | - | - | - | - | 1,178,628 |
| Total Expenditures | 29,387,189 | 35,258,356 | 31,236,273 | 33,725,584 | 30,584,524 |
| Excess (Deficiency) of Revenues | | | | | |
| Over (Under) Expenditures | (1,712,899) | (4,111,153) | (1,251,287) | (2,789,540) | 1,552,571 |
| Other Financing Sources (Uses) | | | | | |
| Proceeds of capital leases | - | - | - | - | 36,500 |
| Proceeds of refunding bonds | - | - | 7,018,859 | 7,000,000 | - |
| Proceeds from Long-Term Debt | 2,743,000 | 7,557,150 | - | 255,000 | 80,000 |
| Payment to refunded bonds escrow agent | - | - | - | (6,959,659) | - |
| Capital contributions to other government | - | - | - | - | - |
| Sale/Disposition of fixed assets | - | 5,501 | 3,056 | 299,056 | - |
| Transfers in | 1,349,478 | 2,886,064 | 2,691,692 | 1,908,898 | 2,158,561 |
| Transfers out | (1,290,635) | (2,783,603) | (11,736,266) | (1,508,996) | (1,970,678) |
| Total Other Financing Sources (Uses) | 2,801,843 | 7,665,112 | (2,022,659) | 994,299 | 304,383 |
| Prior period corrections | - | - | - | - | 75,318 |
| Net Change in Fund Balances | \$ 1,088,944 | \$ 3,553,959 | \$ (3,273,946) | \$ (1,795,241) | \$ 1,932,272 |
| Debt Service as a % of Noncapital Expenditures | 8.4% | 17.9% | 9.9% | 12.3% | 11.8% |

Source: Prior years published Comprehensive Annual Financial Reports

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

Last Ten Fiscal Years

Page 2 of 2

| 2005 | 2006 | 2007 | 2008 | 2009 |
|---------------|----------------|---------------|----------------|----------------|
| \$ 23,543,206 | \$ 24,762,811 | \$ 25,865,645 | \$ 24,317,982 | \$ 26,285,121 |
| 1,586,265 | 1,595,459 | 1,689,760 | 1,570,531 | 1,509,008 |
| 4,780,988 | 6,330,512 | 3,883,879 | 3,826,622 | 5,169,688 |
| 3,183,770 | 3,267,307 | 3,551,559 | 3,146,918 | 3,934,741 |
| 354,383 | 505,402 | 512,529 | 593,121 | 674,634 |
| 1,494,301 | 1,867,779 | 1,895,889 | 1,528,316 | 1,198,053 |
| \$ 34,942,913 | \$ 38,329,270 | \$ 37,399,261 | \$ 34,983,490 | \$ 38,771,245 |
| 6,266,034 | 6,733,227 | 6,706,190 | 7,852,719 | 7,184,093 |
| 14,601,519 | 15,693,183 | 16,440,157 | 18,215,380 | 18,523,068 |
| 1,877,941 | 1,824,727 | 1,914,409 | 1,206,164 | 1,158,170 |
| 1,170,188 | 1,231,251 | 1,349,378 | 1,852,790 | 1,800,535 |
| 914,881 | 1,156,471 | 1,122,502 | 1,127,417 | 1,081,381 |
| 9,082 | 8,562 | 7,237 | 9,291 | 12,147 |
| 2,711,223 | 2,976,815 | 3,121,293 | 3,413,231 | 3,462,188 |
| 3,041,470 | 8,532,955 | 4,061,649 | 3,559,891 | 5,016,619 |
| 1,446,333 | 1,518,665 | 2,206,947 | 1,698,860 | 1,813,613 |
| 1,104,200 | 1,059,377 | 1,047,651 | 973,894 | 902,965 |
| 33,142,871 | 40,735,233 | 37,977,413 | 39,909,637 | 40,954,779 |
| 1,800,042 | (2,405,963) | (578,152) | (4,926,147) | (2,183,534) |
| 505,000 | - | - | - | - |
| - | - | - | - | - |
| 279,029 | 751,058 | 1,873,467 | 43,745 | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | 153,982 | 6,049 | - | 54,870 |
| 1,485,752 | 992,726 | 2,390,592 | 2,624,254 | 1,495,523 |
| (1,487,997) | (1,238,139) | (2,377,180) | (2,463,023) | (1,542,146) |
| 781,784 | 659,627 | 1,892,928 | 204,976 | 8,247 |
| (236,584) | 18,934 | - | (55,269) | - |
| \$ 2,345,242 | \$ (1,727,402) | \$ 1,314,776 | \$ (4,776,440) | \$ (2,175,287) |
| 9.3% | 8.7% | 10.6% | 7.9% | 8.2% |

PROPERTY TAX RATES DIRECT AND OVERLAPPING
(per \$1,000 of assessed valuation)
Last Ten Fiscal Years

| Year | City | County | School | | Other Overlapping Rates | | | Total |
|------|------|--------|--------|-------|-------------------------|------|----------|-------|
| | | | State | Local | Library | Port | Hospital | |
| 2000 | 2.94 | 1.48 | 3.50 | 4.55 | 0.00 | 0.21 | 0.34 | 13.02 |
| 2001 | 2.96 | 1.48 | 3.40 | 4.53 | 0.00 | 0.05 | 0.34 | 12.76 |
| 2002 | 3.01 | 1.43 | 3.29 | 4.52 | 0.47 | 0.06 | 0.27 | 13.05 |
| 2003 | 3.07 | 1.83 | 3.18 | 4.60 | 0.46 | 0.09 | 0.36 | 13.58 |
| 2004 | 2.47 | 1.75 | 2.95 | 3.50 | 0.50 | 0.07 | 0.27 | 11.51 |
| 2005 | 2.33 | 1.57 | 2.79 | 3.99 | 0.46 | 0.06 | 0.24 | 11.43 |
| 2006 | 2.14 | 1.45 | 2.53 | 3.74 | 0.42 | 0.09 | 0.22 | 10.60 |
| 2007 | 1.83 | 1.24 | 2.16 | 3.51 | 0.35 | 0.09 | 0.18 | 9.36 |
| 2008 | 1.62 | 0.72 | 1.91 | 3.19 | 0.31 | 0.09 | 0.16 | 8.00 |
| 2009 | 1.82 | 0.72 | 1.91 | 3.19 | 0.31 | 0.09 | 0.16 | 8.20 |

Source: Snohomish County Assessor Annual Reports

PRINCIPAL TAXPAYERS

December 31, 2009 and 1999

| 2009 | | | | 1999 | | | |
|------------------------------------|------------------------|------|--|-------------------------|------------------------|------|--|
| Principal Taxpayer | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value | Principal Taxpayer | Taxable Assessed Value | Rank | Percentage of Total Taxable Assessed Value |
| Equity Residential Prop TR | \$33,434,000 | 1 | 0.43% | Stevens Hospital | \$ 36,731,800 | 1 | 1.29% |
| FW WA-Aurora Marketplace Llc | 24,200,000 | 2 | 0.31% | ERP Limited Partnership | 21,472,000 | 2 | 0.76% |
| Aewsh Edmonds Landing Senior Housi | 23,000,000 | 3 | 0.30% | BPP Retail LLC | 10,417,800 | 3 | 0.37% |
| Park 212 Apt LLC | 20,236,000 | 4 | 0.26% | Harbor Square Assoc. | 9,608,700 | 4 | 0.34% |
| Briar Development Co. | 17,372,200 | 5 | 0.23% | Park 212 Apartments | 8,775,000 | 5 | 0.31% |
| Stevens Pavillion LLC | 15,550,000 | 6 | 0.20% | Pacific Park Apts. LLC | 7,788,000 | 6 | 0.27% |
| Fsc Pacific Park Associates LLC | 13,718,000 | 7 | 0.18% | L.P. Franklin-Edmonds | 6,595,500 | 7 | 0.23% |
| Property Management NW | 12,879,100 | 8 | 0.17% | Shurgard Storage Center | 5,773,300 | 8 | 0.20% |
| Franklin-Edmonds LLC | 12,216,700 | 9 | 0.16% | Edmonds Highlands Apts. | 5,686,800 | 9 | 0.20% |
| Gre Kruger LLC | 12,063,900 | 10 | 0.16% | Salamonsen Const. | 5,400,100 | 10 | 0.19% |
| Total Principal Taxpayers | 184,669,900 | | 2.40% | | 118,249,000 | | 4.16% |
| All Other Taxpayers | 7,524,539,590 | | 97.60% | | 2,722,810,132 | | 95.84% |
| Total | \$ 7,709,209,490 | | 100.00% | | \$ 2,841,059,132 | | 100.00% |

Source: Snohomish County Assessor and prior year Comprehensive Annual Financial Reports.

PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

| For the Year Ended December 31, | Taxes Levied for the Fiscal Year | Collected Within the Fiscal Year of The Levy | | Collections in Subsequent Years | Total Collections to Date | | Total Uncollected Taxes ¹ | |
|---------------------------------------|--|---|-----------------------|---------------------------------------|---------------------------|-----------------------|---|-----------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy | Amount | Percentage of Levy |
| 2000 | 9,333,601 | 9,142,301 | 97.95% | 191,140 | 9,333,441 | 100.00% | 160 | 0.00% |
| 2001 | 9,528,000 | 9,540,961 | 100.14% | -13,110 | 9,527,851 | 100.00% | 149 | 0.00% |
| 2002 | 9,920,195 | 9,836,863 | 99.16% | 83,235 | 9,920,098 | 100.00% | 97 | 0.00% |
| 2003 | 10,209,227 | 9,986,121 | 97.81% | 222,967 | 10,209,088 | 100.00% | 139 | 0.00% |
| 2004 | 10,941,961 | 10,718,852 | 97.96% | 222,823 | 10,941,675 | 100.00% | 286 | 0.00% |
| 2005 | 11,152,382 | 10,947,400 | 98.16% | 203,807 | 11,151,207 | 99.99% | 1,175 | 0.01% |
| 2006 | 11,506,710 | 11,267,986 | 97.93% | 231,372 | 11,499,358 | 99.94% | 7,352 | 0.06% |
| 2007 | 11,994,777 | 11,782,550 | 98.23% | 184,121 | 11,966,671 | 99.77% | 28,106 | 0.23% |
| 2008 | 12,344,373 | 12,158,305 | 98.49% | 111,885 | 12,270,190 | 99.40% | 74,183 | 0.60% |
| 2009 | 13,969,084 | 13,697,286 | 98.05% | 0 | 13,697,286 | 98.05% | 258,290 | 1.85% |

Notes:

¹ The amounts reported in the total uncollected taxes column are the uncollected taxes for each tax levy.

Source: Snohomish County Assessor

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

December, 31, 2009

| <u>Jurisdiction</u> | <u>Net Debt Outstanding</u> | <u>Percentage Applicable to Edmonds</u> | <u>Amount Applicable to Edmonds</u> |
|-----------------------------------|---------------------------------|---|---|
| City of Edmonds | <u>\$25,366,875</u> | 100.00% | <u>\$25,366,875</u> |
| Total Direct Debt | <u>\$25,366,875</u> | 100.00% | <u>\$25,366,875</u> |
| Local School | 266,270,000 | 33.00% | 87,878,261 |
| County | 370,984,628 | 7.56% | 28,043,753 |
| Hospital | 3,105,000 | 30.73% | 954,194 |
| Port | <u>3,730,000</u> | 86.17% | <u>3,214,252</u> |
| Total Overlapping Debt | <u>644,089,628</u> | 18.64% | <u>120,090,460</u> |
| Total Direct and Overlapping Debt | <u>\$669,456,503</u> | 21.73% | <u>\$145,457,335</u> |

Notes: The percentage of Net Debt Outstanding applicable to Edmonds was determined by review of the Snohomish County Assessor records and allocating based on Tax Code Areas (TCA's).

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

Page 1 of 2

| For the Year Ended December 31, | 2000 | 2001 | 2002 | 2003 | 2004 |
|--|-------------------|-------------------|-------------------|--------------------|--------------------|
| Total Taxable Property Value | \$3,208,755,952 | \$3,261,044,413 | \$3,318,312,127 | \$4,465,519,067 | \$4,819,291,927 |
| 2.5% Limit for General Purposes is allocated between (2) councilmanic and (8) voted | 80,218,899 | 81,526,110 | 82,957,803 | 111,637,977 | 120,482,298 |
| <i>Up to 1.5% debt without a vote (councilmanic)</i> | 48,131,339 | 48,915,666 | 49,774,682 | 66,982,786 | 72,289,379 |
| Less: outstanding debt | (5,675,000) | (10,675,000) | (17,185,000) | 33,756,709 | (15,990,000) |
| Less: contracts payable | (7,851,552) | (5,150,466) | (4,866,776) | (5,344,846) | (5,602,104) |
| Less: excess of debt with a vote | 0 | 0 | 0 | 0 | 0 |
| Add: available assets | 507,747 | 841,359 | 644,594 | 501,868 | 350,743 |
| Equals: remaining debt capacity without a vote | 35,112,534 | 33,931,559 | 28,367,500 | 95,896,517 | 51,048,018 |
| <i>1% general purposes debt with a vote</i> | 32,087,560 | 32,610,444 | 33,183,121 | 44,655,191 | 48,192,919 |
| Less: outstanding debt | (8,850,000) | (8,600,000) | (8,320,000) | (8,825,000) | (8,395,000) |
| Less: contracts payable | 0 | 0 | 0 | 0 | (9,196) |
| Add: available assets | 0 | 0 | 0 | 0 | 0 |
| Equals: remaining debt capacity with a vote | 23,237,560 | 24,010,444 | 24,863,121 | 35,830,191 | 39,788,723 |
| 2.5% Utility purpose limit, voted | 80,218,899 | 81,526,110 | 82,957,803 | 111,637,977 | 120,482,298 |
| Less: outstanding debt | 0 | 0 | 0 | 0 | 0 |
| Less: contracts payable | 0 | 0 | 0 | 0 | 0 |
| Add: available assets | 0 | 0 | 0 | 0 | 0 |
| Equals: remaining debt capacity - utility purposes, voted | 80,218,899 | 81,526,110 | 82,957,803 | 111,637,977 | 120,482,298 |
| 2.5% Open space, park and capital facilities, voted | 80,218,899 | 81,526,110 | 82,957,803 | 111,637,977 | 120,482,298 |
| Less: outstanding debt | 0 | 0 | 0 | 0 | 0 |
| Less: contracts payable | 0 | 0 | 0 | 0 | 0 |
| Add: available assets | 0 | 0 | 0 | 0 | 0 |
| Equals: remaining debt capacity - open space and capital facilities, voted | 80,218,899 | 81,526,110 | 82,957,803 | 111,637,977 | 120,482,298 |

Source: Prior years published Comprehensive Annual Financial Reports.

COMPUTATION OF LEGAL DEBT MARGIN

Last Ten Fiscal Years

Page 2 of 2

| 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| \$5,430,059,642 | \$6,665,146,142 | \$7,615,549,203 | \$7,709,209,490 | \$6,955,482,717 |
| 135,751,491 | 166,628,654 | 190,388,730 | 192,730,237 | 173,887,068 |
| 81,450,895 | 99,977,192 | 114,233,238 | 115,638,142 | 104,332,241 |
| (15,510,525) | (15,400,693) | (13,999,235) | (18,104,309) | (17,048,139) |
| (6,510,245) | (7,361,940) | (7,373,461) | (7,224,306) | (6,199,329) |
| 0 | 0 | 0 | 0 | 0 |
| 322,816 | 1,221,281 | 1,107,376 | 267,469 | 370,148 |
| 59,752,940 | 78,435,840 | 93,967,918 | 90,576,996 | 81,454,921 |
| 54,300,596 | 66,651,461 | 76,155,492 | 77,092,095 | 69,554,827 |
| (7,930,000) | (7,435,000) | (6,895,000) | (6,300,000) | (5,660,000) |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 46,370,596 | 59,216,461 | 69,260,492 | 70,792,095 | 63,894,827 |
| 135,751,491 | 166,628,654 | 190,388,730 | 192,730,237 | 173,887,068 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 135,751,491 | 166,628,654 | 190,388,730 | 192,730,237 | 173,887,068 |
| 135,751,491 | 166,628,654 | 190,388,730 | 192,730,237 | 173,887,068 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 135,751,491 | 166,628,654 | 190,388,730 | 192,730,237 | 173,887,068 |

RATIO OF TOTAL DEBT OUTSTANDING BY TYPE

Last Ten Fiscal Years

Page 1 of 2

| Fiscal Year | Governmental - Activities | | | | Total |
|------------------------|---|------------------------------|--|---------------------------------------|--------------|
| | General Obligation Bonds | Capital Contracts | Public Works Trust Fund Loans | Bond Anticipation Note | |
| 2000 | 14,525,000 | 3,673,679 | 0 | 2,743,000 | 20,941,679 |
| 2001 | 19,275,000 | 3,341,092 | 0 | 0 | 22,616,092 |
| 2002 | 25,505,000 | 2,995,240 | 0 | 0 | 28,500,240 |
| 2003 | 24,676,709 | 2,634,879 | 255,000 | 0 | 27,566,588 |
| 2004 | 23,648,601 | 2,259,463 | 321,579 | 0 | 26,229,643 |
| 2005 | 22,661,984 | 2,142,255 | 688,436 | 0 | 25,492,675 |
| 2006 | 22,118,142 | 2,041,259 | 775,243 | 0 | 24,934,644 |
| 2007 | 21,589,831 | 1,853,702 | 1,225,662 | 0 | 24,669,195 |
| 2008 | 20,204,446 | 1,702,428 | 1,184,699 | 0 | 23,091,573 |
| 2009 | 18,719,223 | 1,546,238 | 1,112,498 | 0 | 21,377,959 |

Notes: Information on the City's outstanding debt can be found in the Notes to the Financial Statements.

RATIO OF TOTAL DEBT OUTSTANDING BY TYPE

Last Ten Fiscal Years

Page 2 of 2

| Business-type Activities | | | | Total Primary Government | Percentage of Personal Income | Per Capita |
|-----------------------------|--------------------------------|-------------------------------------|------------|--------------------------------|-------------------------------------|---------------|
| Revenue Bonds | General Obligation Bonds | Public Works Trust Fund Loans | Total | | | |
| 10,035,000 | 0 | 0 | 10,035,000 | 30,976,679 | 2.58% | 783 |
| 9,095,000 | 0 | 0 | 9,095,000 | 31,711,092 | 2.57% | 801 |
| 8,105,000 | 0 | 0 | 8,105,000 | 36,605,240 | 2.95% | 928 |
| 9,060,000 | 763,291 | 654,075 | 10,477,366 | 38,043,954 | 3.04% | 961 |
| 7,935,000 | 736,399 | 1,415,250 | 10,086,649 | 36,316,292 | 1.60% | 522 |
| 7,485,000 | 778,541 | 2,045,486 | 10,309,027 | 35,801,702 | 1.57% | 512 |
| 6,315,000 | 717,551 | 2,006,948 | 9,039,499 | 33,974,143 | 2.58% | 842 |
| 4,425,000 | 4,404,404 | 1,888,238 | 10,717,642 | 35,386,837 | 2.57% | 872 |
| 3,620,000 | 4,199,863 | 2,102,253 | 9,922,116 | 33,013,689 | 2.04% | 810 |
| 3,255,000 | 3,988,916 | 2,944,046 | 10,187,962 | 31,565,921 | 1.74% | 772 |

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE (AV) AND NET BONDED DEBT PER CAPITA**
Last Ten Fiscal Years

| <u>Year</u> | <u>Population</u> | <u>Assessed Value (in Thousands)</u> | <u>Gross Bonded Debt</u> | <u>Debt Service Monies Available</u> | <u>Net Bonded Debt</u> | <u>Ratio Net Bonded Debt to AV</u> | <u>Net Bonded Debt per Capita</u> |
|-------------|-------------------|--|------------------------------|--|----------------------------|--|---|
| 2000 | 39,544 | 3,208,756 | 14,525,000 | 0 | 14,525,000 | 0.45% | 367 |
| 2001 | 39,590 | 3,261,044 | 19,275,000 | 0 | 19,275,000 | 0.59% | 487 |
| 2002 | 39,460 | 3,318,312 | 25,505,000 | 0 | 25,505,000 | 0.77% | 646 |
| 2003 | 39,580 | 3,320,328 | 25,440,000 | 0 | 25,440,000 | 0.77% | 643 |
| 2004 | 39,620 | 4,465,519 | 24,685,000 | 0 | 24,685,000 | 0.55% | 623 |
| 2005 | 39,860 | 5,430,060 | 23,440,525 | 0 | 23,440,525 | 0.43% | 588 |
| 2006 | 40,360 | 6,612,374 | 22,835,693 | 0 | 22,835,693 | 0.35% | 566 |
| 2007 | 40,560 | 7,615,549 | 25,994,235 | 0 | 25,994,235 | 0.34% | 641 |
| 2008 | 40,760 | 7,712,463 | 24,404,309 | 0 | 24,404,309 | 0.32% | 599 |
| 2009 | 40,900 | 6,966,518 | 22,708,139 | 0 | 22,708,139 | 0.33% | 555 |

Source:

Prior years published Comprehensive Annual Financial Reports.
Snohomish County Assessor.

REVENUE BOND COVERAGE

Last Ten Fiscal Years

| <u>Year</u> | <u>Gross Revenue (1)</u> | <u>Direct Operating Expenses (2)</u> | <u>Net Revenue Available for Debt Service</u> | <u>Debt Service Requirement</u> | | | <u>Coverage</u> |
|-------------|------------------------------|--|---|---------------------------------|-----------------|--------------|-----------------|
| | | | | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2000 | 10,374,772 | 7,809,483 | 2,565,289 | 1,015,000 | 610,608 | 1,625,608 | 1.58% |
| 2001 | 9,998,432 | 7,796,720 | 2,201,712 | 940,000 | 558,068 | 1,498,068 | 1.47% |
| 2002 | 10,875,368 | 8,169,783 | 2,705,585 | 990,000 | 507,588 | 1,497,588 | 1.81% |
| 2003 | 11,820,916 | 8,527,717 | 3,293,199 | 1,105,000 | 255,397 | 1,360,397 | 2.42% |
| 2004 | 11,598,339 | 9,162,022 | 2,436,317 | 1,125,000 | 305,850 | 1,430,850 | 1.70% |
| 2005 | 12,933,748 | 8,922,431 | 4,011,317 | 1,150,000 | 279,830 | 1,429,830 | 2.81% |
| 2006 | 13,230,523 | 9,205,572 | 4,024,951 | 1,170,000 | 249,955 | 1,419,955 | 2.83% |
| 2007 | 13,550,154 | 9,766,470 | 3,783,684 | 1,190,000 | 218,168 | 1,408,168 | 2.69% |
| 2008 | 13,735,817 | 10,346,521 | 3,389,296 | 805,000 | 183,196 | 988,196 | 3.43% |
| 2009 | 14,666,492 | 11,038,947 | 3,627,545 | 365,000 | 156,076 | 521,076 | 6.96% |

Notes:¹ Includes operating and non-operating revenue² Excludes depreciation

DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Year | Population (1) | <i>(thousands of dollars)</i> Personal Income | Per Capita Income (2) | Median Age (2) | School Enrollment (3) | Unemployment Rate (4) |
|-------------|-----------------------|---|--------------------------------------|---------------------------|----------------------------------|----------------------------------|
| 2000 | 39,544 | 1,201,861 | 30,393 | 42.0 | 4,600 | 4.5% |
| 2001 | 39,560 | 1,233,402 | 31,178 | 42.0 | 4,600 | 5.3% |
| 2002 | 39,460 | 1,242,793 | 31,495 | 42.0 | 5,184 | 7.0% |
| 2003 | 39,580 | 1,252,707 | 31,650 | 42.0 | 5,184 | 7.1% |
| 2004 | 39,620 | 1,291,255 | 32,591 | 42.0 | 5,184 | 5.7% |
| 2005 | 39,860 | 1,299,077 | 32,591 | 42.0 | 5,020 | 5.1% |
| 2006 | 40,360 | 1,315,373 | 32,591 | 42.0 | 5,541 | 4.6% |
| 2007 | 40,560 | 1,378,999 | 33,999 | 42.0 | 5,683 | 3.9% |
| 2008 | 40,760 | 1,621,922 | 39,792 | 44.2 | 5,537 | 7.1% |
| 2009 | 40,900 | 1,812,238 | 44,309 | 45.8 | 5,537 | 9.5% |

Notes:

- (1) Information provided by Washington State Office of Financial Management
- (2) Information provided by factfinder.census.gov
- (3) Information provided by www.city-data.com
- (4) Information is for the State of Washington, provided by workforceexplorer.com

PRINCIPAL EMPLOYERS

December 31, 2009 and 2006

| <u>Employer</u> | <u>2009</u> | | | <u>Employer</u> | <u>2006</u> | | |
|----------------------------------|--------------------------------|-------------|--|----------------------------------|--------------------------------|-------------|--|
| | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> | | <u>Number of Employees</u> | <u>Rank</u> | <u>Percentage of Total City Employment</u> |
| Stevens Memorial Hospital | 1,280 | 1 | 10.12% | Stevens Memorial Hospital | 1,030 | 1 | 9.48% |
| Edmonds School District | 564 | 2 | 4.46% | City of Edmonds | 330 | 2 | 3.04% |
| City of Edmonds | 266 | 3 | 2.10% | Edmonds School District | 165 | 3 | 1.52% |
| Aldercrest | 160 | 4 | 1.26% | Aldercrest | 160 | 4 | 1.47% |
| Anthony's Restaurants | 141 | 5 | 1.11% | Anthony's Restaurants | 141 | 5 | 1.30% |
| Edmonds Rehabilitation | 120 | 6 | 0.95% | Top Foods | 122 | 6 | 1.12% |
| PCC Natural Markets | 115 | 7 | 0.91% | Edmonds Rehabilitation | 120 | 7 | 1.10% |
| Top Foods | 114 | 8 | 0.90% | Safeway | 108 | 8 | 0.99% |
| Lynnwood Honda | 100 | 9 | 0.79% | Lynnwood Honda | 84 | 9 | 0.77% |
| Safeway | 93 | 10 | 0.74% | Fred Meyer/QFC | 73 | 10 | 0.67% |
| Total Principal Employers | 2,953 | | 23.34% | Total Principal Employers | 2,333 | | 21.47% |
| Other Employers | 9,700 | | 76.66% | Other Employers | 8,531 | | 78.53% |
| Total Employers | 12,653 | | 100.00% | Total Employers | 10,864 | | 100.00% |

Note: Information for years prior to 2006 is not available.**Source:** Eden Business Licensing, Claritas, Snohomish County EDC, Puget Sound Regional Council (PRSC), AllBusiness.com

CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| <u>Governmental Activities</u> | | | | | | | | | | |
| <u>General Government</u> | | | | | | | | | | |
| City Council | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Mayor/City Clerk | 7.5 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 5.0 |
| Economic Development | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.0 |
| Human Resources | 2.5 | 2.5 | 2.5 | 2.4 | 1.5 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Administrative Services | 12.0 | 13.0 | 13.0 | 10.7 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 9.0 |
| Facilities | 13.0 | 13.0 | 13.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| Equipment Rental | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| | 39.5 | 39.0 | 39.0 | 34.6 | 35.0 | 35.5 | 35.5 | 35.5 | 35.5 | 31.5 |
| <u>Judicial</u> | | | | | | | | | | |
| Municipal Court | 6.0 | 6.0 | 6.0 | 6.0 | 7.5 | 7.5 | 7.5 | 8.5 | 8.5 | 8.5 |
| <u>Public Safety</u> | | | | | | | | | | |
| Police | 71.0 | 72.5 | 72.5 | 69.0 | 69.0 | 70.0 | 73.0 | 69.0 | 69.0 | 68 |
| Fire | 41.0 | 41.5 | 44.5 | 51.0 | 53.0 | 53.0 | 54.0 | 54.0 | 54.0 | 54 |
| | 112.0 | 114.0 | 117.0 | 120.0 | 122.0 | 123.0 | 127.0 | 123.0 | 123.0 | 122.0 |
| <u>Physical Environment</u> | | | | | | | | | | |
| Development Services | 28.5 | 28.5 | 28.5 | 24.5 | 28.8 | 28.8 | 26.8 | 27.1 | 27.1 | 27.1 |
| <u>Economic Environment</u> | | | | | | | | | | |
| Community Services | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| <u>Culture and Recreation</u> | | | | | | | | | | |
| Parks | 20.5 | 22.0 | 23.0 | 23.0 | 23.0 | 23.0 | 23.0 | 22.9 | 22.9 | 22.9 |
| <u>Transportation</u> | | | | | | | | | | |
| Streets | 8.0 | 8.0 | 8.0 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Total Governmental Activities | 216.5 | 219.5 | 223.5 | 217.6 | 225.8 | 227.3 | 229.3 | 226.5 | 226.5 | 221.5 |
| <u>Business-type Activities</u> | | | | | | | | | | |
| <u>Combined Utility</u> | | | | | | | | | | |
| Public Works Administration | 4.0 | 4.0 | 4.0 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Storm | 8.0 | 8.0 | 8.0 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Water/Sewer/Treatment Plant | 32.0 | 32.0 | 32.0 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 | 34.5 |
| Total Business-type Activities | 44.0 | 44.0 | 44.0 | 44.5 | 44.5 | 44.5 | 44.5 | 44.5 | 44.5 | 44.5 |
| Grand Total | 260.5 | 263.5 | 267.5 | 262.1 | 270.3 | 271.8 | 273.8 | 271.0 | 271.0 | 266.0 |

Source: Prior years published Budgets

OPERATING INDICATORS BY FUNCTION/PROGRAM

Last Five Fiscal Years

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 |
|--|--------|--------|--------|--------|--------|
| General government services | | | | | |
| Finance | | | | | |
| General Business Licenses | 1,857 | 1,922 | 1,920 | 2,002 | 1,767 |
| Non-resident Business Licenses | 950 | 930 | 982 | 1,127 | 1,031 |
| Judicial | | | | | |
| Municipal Court | | | | | |
| Total filings (infraction, parking, criminal) | 5,318 | 7,194 | 6,010 | 7,782 | 7,853 |
| Public Safety | | | | | |
| Police | | | | | |
| Dispatched calls | 23,519 | 23,530 | 23,104 | 22,320 | 21,352 |
| Traffic citations and infractions | 3,328 | 4,139 | 4,058 | 5,803 | 5,379 |
| Adult arrests | 1,310 | 1,448 | 1,389 | 1,565 | 1,455 |
| Juvenile arrests | 213 | 208 | 245 | 219 | 178 |
| Animal control incidents | 1,227 | 1,547 | 1,388 | 1,108 | 1,483 |
| Crimes per 1,000 residents | 36.4 | 35.0 | 26.0 | 25.4 | 25 |
| Fire/EMS | | | | | |
| EMS | 3,691 | 3,522 | 3,669 | 3,555 | 3,470 |
| False Alarm | 286 | 260 | 229 | 238 | 236 |
| Fire | 127 | 143 | 135 | 104 | 87 |
| Good Intent Call | 631 | 791 | 747 | 396 | 523 |
| Hazardous Condition | 78 | 139 | 150 | 105 | 91 |
| Rupture / Explosion | 15 | 8 | 13 | 8 | 6 |
| Service Call | 224 | 285 | 216 | 264 | 341 |
| Special Type | 13 | 8 | 8 | 3 | 9 |
| Other | 0 | 15 | 11 | 0 | 0 |
| Physical Environment | | | | | |
| Engineering & construction services | | | | | |
| Permits issued | 1,256 | 1,187 | 1,253 | 1,028 | 920 |
| Inspections | 8,848 | 6,645 | 5,853 | 4,267 | 3,908 |
| Economic Environment | | | | | |
| Community services | | | | | |
| Planning | | | | | |
| Code enforcement actions | 680 | 619 | 733 | 577 | 385 |
| Animal Services | | | | | |
| Adoptions | 64 | 37 | 70 | 77 | 43 |
| Returned to Owner | 211 | 200 | 201 | 159 | 146 |
| Culture and recreation | | | | | |
| Aquatics participants | 19,147 | 20,582 | 21,584 | 22,047 | 26,759 |
| Athletics (Adult) participants | 2,246 | 2,422 | 2,184 | 2,294 | 2,188 |
| Gymnastics participants | 1,473 | 1,424 | 1,651 | 1,520 | 1,793 |
| Fitness participants | 2,184 | 2,108 | 1,853 | 2,548 | 3,013 |
| Special Events participants | 9,001 | 9,105 | 9,129 | 9,354 | 7,883 |
| Transportation | | | | | |
| Number of paving projects | 84 | 58 | 53 | 63 | 95 |
| Street patching/paving (in sq ft) | 5,168 | 5,711 | 3,422 | 8,232 | 4,267 |
| Curbs and gutters replaced (in lineal ft) | 67 | 35 | 35 | 27 | 38 |
| Sidewalks replaced (in sq ft) | 2,689 | 2,261 | 2,257 | 2,900 | 3,580 |
| Water/Sewer | | | | | |
| Water | | | | | |
| New connections | 27 | 11 | 8 | 20 | n/a |
| Water main breaks | 22 | 15 | 8 | 5 | n/a |
| Average daily consumption (mgd) - finished water | 3.2 | 3.3 | 3.1 | 3.0 | 3.0 |
| Peak daily consumption (mgd) - finished water | 3.2 | 4.6 | n/a | n/a | n/a |
| Treated water delivered (mg) | 1,162 | 1,192 | 1,138 | 1,122 | n/a |
| Water customers served by system | 10,014 | 9,998 | 10,031 | 10,058 | 10,086 |
| Sewer | | | | | |
| Average daily sewage treated (mg) | 5.3 | 6.2 | 5.3 | 5.5 | 5.6 |
| Sewage treated (mg) | 1,945 | 2,249 | 1,938 | 2,022 | 2,043 |

Note: Information prior to 2005 is not available. Over time this statistic will include 10 years of data.

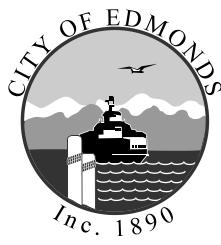
Source: Various City Departments, Reports, and the City website.

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Five Fiscal Years

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|-------|-------|-------|-------|-------|
| Public Safety | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 |
| Police vehicles | 33 | 33 | 33 | 33 | 33 |
| Fire stations | 3 | 3 | 3 | 3 | 3 |
| Fire engines (pumpers) | 3 | 3 | 3 | 3 | 3 |
| Aerial ladder trucks | 1 | 1 | 1 | 1 | 1 |
| Emergency Medical Units | 5 | 5 | 5 | 5 | 5 |
| Public safety boat | 0 | 1 | 1 | 1 | 1 |
| Transportation | | | | | |
| Paved streets (in miles) | 128 | 128 | 128 | 128 | 128 |
| Other Improved streets (in miles) | 6 | 6 | 6 | 6 | 6 |
| Unimproved streets (in miles) | 1 | 1 | 1 | 1 | 1 |
| Signalized intersections | 20 | 20 | 20 | 20 | 20 |
| Community services | | | | | |
| Animal shelter | 1 | 1 | 1 | 1 | 1 |
| Senior center | 1 | 1 | 1 | 1 | 1 |
| Cemetery | 1 | 1 | 1 | 1 | 1 |
| Culture and recreation | | | | | |
| Number of parks | 46 | 47 | 47 | 47 | 47 |
| Number of playgrounds | 13 | 13 | 13 | 13 | 13 |
| Total acreage owned/managed by City | 238.1 | 243.7 | 243.7 | 243.7 | 243.7 |
| Public swimming pool | 1 | 1 | 1 | 1 | 1 |
| Water/Sewer | | | | | |
| Water | | | | | |
| Water mains (miles) | 179 | 179 | 179 | 179 | 179 |
| Fire hydrants | 1,086 | 1,086 | 1,086 | 1,086 | 1,086 |
| Water storage capacity (within city)(in mg) | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Sewer | | | | | |
| Sanitary sewers (miles) | 186 | 186 | 186 | 186 | 186 |
| Storm sewers (miles) | 120 | 120 | 120 | 120 | 120 |
| Treatment capacity per day (mgd) | 21.5 | 21.5 | 21.5 | 21.5 | 21.5 |

Note: Information prior to 2005 is not available. Over time this statistic will include 10 years of data.

Source: Various City Departments. Capital Asset records.



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SINGLE AUDIT SECTION



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CITY OF EDMONDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended December 31, 2009

| 1 | 2 | 3 | 4 | 5 | | | 6 |
|---|--|-------------|-----------------------|--------------------------|--------------------|--------------------|----------------|
| Federal Agency Name / Pass-through Agency Name | Federal Program Name | CFDA Number | Other I.D. Number | Expenditures | | | Foot-note Ref. |
| | | | | From Pass-Through Awards | From Direct Awards | Total | |
| US Department of Justice | Bulletproof Vest Partnership Program | 16.607 | N/A | | 5,919 | 5,919 | |
| U.S. Department of Housing and Urban Development | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants | 14.251 | B-08-SP-WA-0097 | | 63,277 | 63,277 | |
| U.S. Department of Energy | Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | RW 0000-103 | | 14,144 | 14,144 | |
| US Department of Justice | Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants To Units Of Local Government | 16.804 | | | 13,655 | 13,655 | |
| Washington State Traffic Safety Commission/U.S. DOT | Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | N/A | 4,850 | | 4,850 | |
| Washington State Traffic Safety Commission/U.S. DOT | | 20.601 | N/A | 2,079 | | 2,079 | |
| Washington State Traffic Safety Commission/U.S. DOT | Occupant Protection Incentive Grants | 20.602 | N/A | 6,891 | | 6,891 | |
| Washington State Traffic Safety Commission/U.S. DOT | State and Community Highway Safety | 20.600 | N/A | 2,000 | | 2,000 | |
| US Department of Justice | State and Community Highway Safety | 20.600 | N/A | 1,664 | | 1,664 | |
| Washington State Department of Transportation/U.S. DOT | Highway Planning and Construction (Multi Modal) | 20.205 | STPU0104 (019) | 486,891 | | 486,891 | |
| Washington Association of Sheriffs and Police Chiefs/U.S. DOT | State and Community Highway Safety | 20.600 | N/A | 4,032 | | 4,032 | |
| Federal Highway Agency/U.S. DOT | Highway Planning and Construction | 20.205 | STPE-0099(100) | 108,090 | | 108,090 | |
| Federal Highway Agency/U.S. DOT | ARRA - Highway Planning and Construction | 20.205 | ARRA-0365(007) | 801,860 | | 801,860 | |
| Federal Emergency Management Agency | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | 97.036 | 2009 Storm Assistance | 45,667 | | 45,667 | |
| Snohomish County Department of Housing and Urban Development | Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | CDBG-F 2004 #01 | 38,929 | | 38,929 | |
| National Park Service/Department of the Interior | Historic Preservation Fund Grants-In-Aid | 15.904 | 53-07-PA-3075 | 28,385 | | 28,385 | |
| Total Federal Awards Expended | | | | \$1,531,339 | \$96,995 | \$1,628,334 | |

City of Edmonds
SCHEDULE OF STATE AND LOCAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2009

| 1 | 2 | 3 |
|---|--------------------------------|---------------------------------|
| Grantor/ Pass-Through Grantor Program Title | Other Identification Number | Current Year Expenditures |
| <u>WA State Department of Ecology</u> | | |
| Local Toxics Control | G0800225 | \$22,003 |
| NPDES Stormwater Grant | G0800081 | 48,304 |
| Lake Ballinger Watershed | G0900058 | 149,167 |
| TOTAL DEPARTMENT OF ECOLOGY | | 219,474 |
| <u>WA State Dept of Transportation</u> | | |
| Pedestrian & Bicycle Safety Program | HLP - PB07(009) | 534,846 |
| TOTAL WASHINGTON STATE TRAFFIC | | 534,846 |
| <u>WA State Administration of the Courts</u> | | |
| Interpreter Reimbursement | | 2,647 |
| TOTAL WA STATE ADMIN OF COURTS | | 2,647 |
| <u>WA State Department of Health</u> | | |
| EMS Pre-hospital Participation Grant | AMBV.ES.00000637 (31M03) | 1,726 |
| TOTAL DEPARTMENT OF HEALTH | | 1,726 |
| <u>WA Auto Theft Prevention Authority</u> | | |
| ALPR Equipment Acquisition | 09-ET-WATPA-004 | 28,617 |
| TOTAL WA AUTO THEFT PREVENTION AUTHORITY | | 28,617 |
| | | |
| TOTAL STATE AND LOCAL ASSISTANCE | | \$787,311 |

CITY OF EDMONDS, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FINANCIAL ASSISTANCE
For the Year Ended December 31, 2009

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the City of Edmonds's financial statements. The City uses the modified accrual accounting method which is followed in all government funds, expendable trust, and agency funds and the full accrual accounting method in its proprietary funds.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the grant portion of the program costs. Entire program costs, including the City's portion, may be more than shown.

NOTE 3 – REVOLVING LOAN – PROGRAM INCOME

The City does not have any revolving loans.

NOTE 4 – FEDERAL LOANS

The City does not have any federal loans.

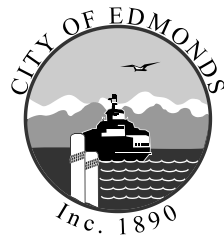
NOTE 5 – NONCASH AWARDS – EQUIPMENT

The City received equipment that was purchased with federal Homeland Security funds by the State of Washington. The amount reported on the schedule is the value of the property on the date it was received by the City and priced as prescribed by the State of Washington.



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SUPPLEMENTAL SCHEDULES



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SCHEDULE OF LONG-TERM DEBT

For the year ended December 31, 2009

General Obligation Debt

| I.D. NUMBER | DATE OF ORIGINAL ISSUE | DATE OF FINAL MATURITY | BALANCE 01/01/09 | ISSUED IN CURRENT YEAR | BARS CODE FOR RECEIPT | RECEIVING FUND NUMBER | REDEEMED IN CURRENT YEAR | BARS CODE FOR REDEMPTION | REDEEMING FUND NUMBER | BALANCE 12/31/09 |
|------------------------|---------------------------------------|---------------------------------------|-----------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---|--|--|-----------------------------|
| 251.10 | 12/01/98 | 12/01/14 | 2,715,001 | 0 | | | 450,000 | 591.790 591.790 | 001/111/126 411 | 2,265,001 |
| 251.10 | 09/01/01 | 12/01/21 | 2,245,000 | 0 | | | 130,000 | 591.230 582.000 | 001 414 | 2,115,000 |
| 251.10 | 12/15/01 | 12/01/21 | 1,690,000 | 0 | | | 95,000 | 591.010 | 126 | 1,595,000 |
| 251.10 | 11/13/02 | 12/01/26 | 6,470,000 | 0 | | | 150,000 | 591.730 | 234 | 6,320,000 |
| 251.12 | 07/01/03 | 12/01/16 | 6,300,000 | 0 | | | 640,000 | 591.520 | 001 | 5,660,000 |
| 251.10 | 02/23/05 | 12/01/10 | 74,308 | 0 | | | 36,170 | 591.730 | 001 | 38,138 |
| 251.10 | 03/15/07 | 03/15/26 | 4,910,000 | 0 | | | 195,000 | 591.191 591.420 591.190 582.340 582.350 582.380 | 001 111 126 411 411 411/414 | 4,715,000 |
| 263.81 | 01/06/03 | 06/30/22 | 254,006 | 0 | | | 18,143 | 591.950 | 112 | 235,863 |
| 263.81 | 09/13/04 | 06/30/24 | 338,824 | 0 | | | 21,176 | 591.900 | 112 | 317,648 |
| 263.81 | 05/24/06 | 05/24/26 | 591,869 | 0 | | | 32,882 | 591.000 | 112 | 558,987 |
| 263.80 | 01/01/96 | 01/01/15 | 443,748 | 0 | | | 61,520 | 591.780 | 001 | 382,228 |
| 263.80 | 06/01/05 | 12/01/19 | 1,258,680 | 0 | | | 94,670 | 591.220 | 001 | 1,164,010 |
| | | | \$27,291,436 | \$0 | | | | \$1,924,561 | | \$25,366,875 |

Revenue Debt

| I.D. NUMBER | DATE OF ISSUE | DATE OF FINAL MATURITY | BALANCE 01/01/09 | ISSUED IN CURRENT YEAR | BARS CODE FOR RECEIPT | RECEIVING FUND NUMBER | REDEEMED IN CURRENT YEAR | BARS CODE FOR REDEMPTION | REDEEMING FUND NUMBER | BALANCE 12/31/09 |
|------------------------|--------------------------|---------------------------------------|-----------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|-----------------------------|
| 252.10 | 03/01/98 | 12/01/13 | \$1,310,000 | \$0 | | | \$235,000 | 582.200 | 411 | 1,075,000 |
| 252.10 | 04/01/03 | 12/01/22 | 2,310,000 | 0 | | | 130,000 | 582.300 582.300 | 411 414 | 2,180,000 |
| 263.81 | 07/17/02 | 06/30/22 | 998,550 | 0 | | | 71,325 | 582.100 | 411/414 | 927,225 |
| 263.81 | 06/08/04 | 06/30/24 | 68,716 | 306,000 | 382.820 | 412 | 10,670 | 582.100 | 411 | 364,046 |
| 263.81 | 06/08/04 | 06/30/24 | 513,000 | 0 | | | 32,062 | 582.100 | 411 | 480,938 |
| 263.81 | 05/23/05 | 06/30/25 | 521,987 | 608,451 | 382.100 | 412 | 48,601 | 582.350 | 411 | 1,081,837 |
| 263.81 | 03/03/09 | 07/01/15 | 0 | 90,000 | 382.820 | 412 | 0 | 582.000 | 411 | 90,000 |
| | | | \$5,722,253 | \$1,004,451 | | | | \$527,658 | | \$6,199,046 |

Special Assessment Debt

| I.D. NUMBER | DATE OF ISSUE | DATE OF FINAL MATURITY | BALANCE 01/01/09 | ISSUED IN CURRENT YEAR | BARS CODE FOR RECEIPT | RECEIVING FUND NUMBER | REDEEMED IN CURRENT YEAR | BARS CODE FOR REDEMPTION | REDEEMING FUND NUMBER | BALANCE 12/31/09 |
|------------------------|--------------------------|---------------------------------------|-----------------------------|---------------------------------------|--------------------------------------|--------------------------------------|---|---|--------------------------------------|-----------------------------|
| 253.11 | 12/01/01 | 12/01/16 | \$100,000 | \$0 | | | \$100,000 | 582.10 | 211 | \$0 |
| | | | \$100,000 | \$0 | | | | \$100,000 | | \$0 |

SCHEDULE OF LIMITATION OF INDEBTEDNESS

As of December 31, 2009

| | | |
|---|-----------------|--------------|
| Total Taxable Property Value | \$6,955,482,717 | |
| (1) 2.5% Limit for General Purposes is allocated between | | |
| (2) councilmanic and (8) voted | 173,887,068 | |
| (2) <i>Up to 1.5% debt without a vote (councilmanic)</i> | | 104,332,241 |
| (3) Less: outstanding debt | | (17,048,139) |
| (4) Less: contracts payable | | (6,199,329) |
| (5) Less: excess of debt with a vote | | 0 |
| (6) Add: available assets | | 370,148 |
| (7) Equals: remaining debt capacity without a vote | | 81,454,920 |
| (8) <i>1% general purposes debt with a vote</i> | | 69,554,827 |
| (9) Less: outstanding debt | | (5,660,000) |
| (10) Less: contracts payable | | 0 |
| (11) Add: available assets | | 0 |
| (12) Equals: remaining debt capacity with a vote | | 63,894,827 |
| (13) 2.5% Utility purpose limit, voted | 173,887,068 | |
| (14) Less: outstanding debt | | 0 |
| (15) Less: contracts payable | | 0 |
| (16) Add: available assets | | 0 |
| (17) Equals: remaining debt capacity - utility purposes, voted | | 173,887,068 |
| (18) 2.5% Open space, park and capital facilities, voted | 173,887,068 | |
| (19) Less: outstanding debt | | 0 |
| (20) Less: contracts payable | | 0 |
| (21) Add: available assets | | 0 |
| (22) Equals: remaining debt capacity - open space and capital facilities, voted | | 173,887,068 |

**LIMITATION ON PUBLIC WORKS PROJECTS PERFORMED BY PUBLIC EMPLOYEES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | |
|---|---------------------|
| 1. Total current public work construction budget as amended (annual or biennial as applicable) | <u>\$17,028,700</u> |
| 2. Allowable portion of total public works (10 percent of line 1) | <u>1,702,870</u> |
| 3. Less: Amount (if any) in excess of permitted amount from prior budget period | <u>0</u> |
| 4. Total allowable public works (line 2 minus line 3) | <u>1,702,870</u> |
| 5. Total public works projects performed by public employees during the current year (include work performed by a county) | <u>214,909</u> |
| 6. If this is the second year of a biennial budget, total public works projects performed by public employees during the first year of biennium | <u>N/A</u> |
| 7. Restricted under (over) allowable (line 4 minus line 5 minus line 6) | <u>\$1,487,961</u> |

City of Edmonds
LABOR RELATIONS CONSULTANTS
For the year ended December 31, 2009

Has your government engaged labor relations consultants? Yes

If yes, please provide the following information for each consultant(s):

Name of Firm: Ogden Murphy Wallace

Name of Consultant: Scott Snyder

Business Address: Suite 2100, Westlake Center Tower
 1601 5th Avenue South
 Seattle, WA 98101

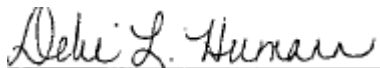
Amount Paid to Consultant During Fiscal Year: \$0

Terms and Conditions: Hourly, not to exceed \$30,000

Duration of Services: January 1, 2007 through December 31, 2010.

Services Provided: Support for negotiations with four bargaining units.

Certified correct this 28th day of May, 2010 to the best of my knowledge and belief:



Debi L. Humann
Human Resources Director

Special thanks to the CAFR team who produced this document and who have substantially up-graded and improved the City's annual reporting process:

Deb Sharp
Lori Cress

Thank You!
Lorenzo Hines Jr.